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Stellenbosch Municipality
Financial statements
for the year ended 30 June 2015

Auditor-General of South Africa

General Information

Mayoral committee	
Executive Mayor	CJ Sidego
Deputy Executive Mayor	MG Smuts
Speaker	C Jooste
Single Whip	P Biscombe
Mayoral Committee	A Frazenburg
	V Fernandez
	N Jindela
	DD Joubert
	SJ Louw
	PJ Retief
	JP Serdyn
	Q Smit
Alderman	DC Botha
Councillors	F Adams
	DS Arends
	NM August
	HC Bergstedt
	A Crombie
	JA Davids
	E Groenewald
	R Du Toit
	JSA Fourie
	N Gcaza
	DA Hendrickse
	JK Hendriks
	MC Johnson
	S Jooste
	N Mananga-Gugushe
	C Manuel
	EL Maree
	NE McOmbring
	LX Mdemka
	C Moses
	RS Nalumango
	N Ntsunguzi
	MM Ngcofe
	WC Petersen
	L Ronoti
	P Sitshoti
	LN Siwakamisa
	LL Stander
	AT van der Walt
	M Wanana
Grading of local authority	Councillors Grade 4
	Personnel Grade 10
Accounting Officer as at 30 June 2015	EC Liebenberg
	Tel: 021 808 8025

	Fax: 021 808 8200
Chief Finance Officer (CFO)	M Wust Tel: 021 808 8528 Fax: 021 886 7318
Registered office	Plein Street Stellenbosch 7600
Business address	Plein Street Stellenbosch 7600
Postal address	P O Box 17 Stellenbosch 7599
Bankers	ABSA
Auditors	Auditor-General of South Africa

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and signed the Annual Financial Statements on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 34 and 36 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements have been prepared on the going concern basis, is hereby certified.

Dupre Lombard
Acting Accounting Officer

31 August 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	Restated 2014
Assets			
Current Assets			
Cash and cash equivalents	3	609 430 080	504 928 066
Receivables from exchange transactions	4	73 321 307	87 497 588
Other receivables from exchange transactions	5	52 362 390	49 034 511
Inventories	6	15 927 823	16 371 109
Receivables from non-exchange transactions	7	62 479 687	68 552 427
VAT receivable	8	13 329 317	786 025
Current portion of long term receivables	11	38 408	77 224
		826 889 012	**727 246 950**
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	10 349 934	10 808 106
Investment property	10	555 933 900	539 342 825
Property, plant and equipment	12	4 221 016 420	4 089 500 959
Intangible assets	13	5 329 783	3 228 228
Heritage assets	14	724 002	724 002
Long term receivables	11	407 296	627 683
		4 793 761 335	**4 644 231 803**
Total Assets		**5 620 650 347**	**5 371 478 753**
Liabilities			
Current Liabilities			
Consumer deposits	15	12 488 198	11 442 769
Employee benefit obligations	16	36 506 213	35 632 118
Operating lease liability	17	2 412 120	3 445 059
Other financial liabilities	18	9 105 127	10 479 899
Provisions	19	45 230 959	17 454 649
Payables from exchange transactions	20	182 204 658	130 838 840
Unspent conditional grants and receipts	21	37 079 744	33 740 607
		325 027 019	**243 033 941**
Non-Current Liabilities			
Other financial liabilities	18	150 333 877	109 961 692
Employee benefit obligations	16	188 703 048	141 794 000
Provisions	19	40 494 090	60 462 748
		379 531 015	**312 218 440**
Total Liabilities		**704 558 034**	**555 252 381**
Net Assets		**4 916 092 313**	**4 816 226 372**
Net Assets			
Reserves			
Revaluation reserve	22	1 031 711 893	960 671 027
Accumulated surplus	23	3 884 380 420	3 855 555 345
Total Net Assets		**4 916 092 313**	**4 816 226 372**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	Restated 2014
Revenue			
Revenue from exchange transactions			
Service charges	24	625 167 994	603 670 308
Rental of facilities and equipment	25	16 808 776	15 368 011
Interest earned - outstanding receivables	26	6 313 897	4 886 929
Agency services	27	2 018 435	1 844 011
Licences and permits		7 119 738	5 900 900
Other income	29	26 473 983	78 525 484
Investment revenue	28	40 186 078	29 857 803
Total revenue from exchange transactions		**724 088 901**	**740 053 446**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	249 518 660	233 568 029
Property rates - penalties imposed	30	2 850 333	2 364 887
Transfer revenue			
Government grants & subsidies	31	139 590 198	153 617 162
Fines, penalties and forfeits	32	59 860 887	71 128 005
Total revenue from non-exchange transactions		**451 820 078**	**460 678 083**
Total revenue		**1 175 908 979**	**1 200 731 529**
Expenditure			
Employee related costs	33	(313 819 007)	(282 932 604)
Remuneration of councillors	34	(14 430 766)	(13 526 539)
Contribution to/from provisions	35	(13 357 507)	(10 627 128)
Contribution to allowance for doubtful debt	36	(72 780 462)	21 692 761
Depreciation and amortisation	38	(149 029 118)	(137 899 380)
Impairment of non cash generating assets		(9 344 922)	-
Finance costs		(13 409 012)	(11 342 543)
Contribution to employee benefits	37	(63 213 526)	(29 829 341)
Debt impairment	39	(4 270 870)	(92 264 991)
Collection costs		(1 495 790)	(919 604)
Repairs and maintenance		(58 457 618)	(55 007 382)
Bulk purchases	40	(287 344 031)	(269 097 417)
Contracted services	41	(38 897 630)	(31 356 528)
Transfers and subsidies	42	(5 555 047)	(4 787 630)
General expenses	43	(104 835 295)	(129 688 298)
Total expenditure		**(1 150 240 601)**	**(1 047 586 624)**
Operating surplus		**25 668 378**	**153 144 905**
Gain on disposal of assets and liabilities		1 255 730	1 105 642
Fair value adjustments	48	16 606 845	394 946
Gain on sale biological assets and agricultural produce		83 896	193 458
Inventories (losses/write-downs)/ reversal of write downs		(39 084)	24 652
		17 907 387	**1 718 698**
Surplus for the year		**43 575 765**	**154 863 603**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	979 984 029	3 737 902 850	4 717 886 879
Adjustments			
Prior year adjustments	(17 901 432)	(38 622 678)	(56 524 110)
Balance at 01 July 2013 as restated*	**962 082 597**	**3 699 280 172**	**4 661 362 769**
Changes in net assets			
Surplus for the year	-	154 863 603	154 863 603
Movement in Revaluation Reserve	(1 411 570)	1 411 570	-
Total changes	(1 411 570)	156 275 173	154 863 603
Balance at 01 July 2014	**960 671 027**	**3 855 555 346**	**4 816 226 373**
Changes in net assets			
Surplus for the year	-	43 575 765	43 575 765
Additions to revaluation reserve	56 290 175	-	56 290 175
Movement in revaluation reserve	(1 840 385)	1 840 385	-
Contribution to revaluation reserve	16 591 076	(16 591 076)	-
Total changes	71 040 866	28 825 074	99 865 940
Balance at 30 June 2015	**1 031 711 893**	**3 884 380 420**	**4 916 092 313**
Note(s)	22	23	

The comparative amount for the accumulated surplus has been restated. Refer to prior period error note 58.

Cash Flow Statement

Figures in Rand	Note(s)	2015	Restated 2014
Cash flows from operating activities			
Receipts			
Sale of goods and services		849 500 880	813 643 121
Grants		142 929 335	152 423 376
Interest income		40 186 078	29 857 803
		1 032 616 293	995 924 300
Payments			
Employee costs		(275 970 435)	(277 398 754)
Suppliers		(450 311 780)	(484 203 821)
Finance costs		(13 409 012)	(11 342 543)
		(739 691 227)	(772 945 118)
Net cash flows from operating activities	44	**292 925 066**	**222 979 182**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(227 378 641)	(172 325 424)
Proceeds from sale of property, plant and equipment	12	1 743 595	1 656 810
Purchase of other intangible assets	13	(2 563 644)	(1 822 149)
Purchases of heritage assets	14	-	(219 172)
Proceeds from sale of non-current receivables		220 387	1 375 778
Proceeds from sale of biological assets that form part of an agricultural activity	9	557 838	1 325 436
Net cash flows from investing activities		**(227 420 465)**	**(170 008 721)**
Cash flows from financing activities			
Proceeds from other financial liabilities		50 000 000	24 082 260
Repayment of other financial liabilities		(11 002 587)	(11 016 226)
Net cash flows from financing activities		**38 997 413**	**13 066 034**
Net increase/(decrease) in cash and cash equivalents		**104 502 014**	**66 036 495**
Cash and cash equivalents at the beginning of the year		504 928 066	438 891 571
Cash and cash equivalents at the end of the year	3	**609 430 080**	**504 928 066**

Stellenbosch Municipality
Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service Charges	607 467 917	-	**607 467 917**	625 167 994	**17 700 077**	BD 1
Rental of facilities and equipment	15 829 220	-	**15 829 220**	16 808 776	**979 556**	
Interest earned - outstanding debtors	2 747 560	-	**2 747 560**	6 313 897	**3 566 337**	BD 2
Agency services	1 550 000	-	**1 550 000**	2 018 435	**468 435**	BD 3
Licences and permits	6 104 893	-	**6 104 893**	7 119 738	**1 014 845**	BD 4
Other income	26 895 150	-	**26 895 150**	26 473 983	**(421 167)**	BD 5
Interest received - investment	31 056 018	-	**31 056 018**	40 186 078	**9 130 060**	BD 6
Total revenue from exchange transactions	**691 650 758**	**-**	**691 650 758**	**724 088 901**	**32 438 143**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	250 197 143	-	**250 197 143**	249 518 660	**(678 483)**	BD 7
Property rates - penalties imposed	4 282 430	-	**4 282 430**	2 850 333	**(1 432 097)**	BD 7
Transfer revenue						
Government grants & subsidies	165 129 756	-	**165 129 756**	139 590 198	**(25 539 558)**	BD 8
Fines, penalties and forfeits	68 389 115	-	**68 389 115**	59 860 887	**(8 528 228)**	BD 9
Total revenue from non-exchange transactions	**487 998 444**	**-**	**487 998 444**	**451 820 078**	**(36 178 366)**	
Total revenue	**1 179 649 202**	**-**	**1 179 649 202**	**1 175 908 979**	**(3 740 223)**	
Expenditure						
Employee related costs	(324 832 045)	(121 500)	**(324 953 545)**	(313 819 007)	**11 134 538**	
Remuneration of councillors	(15 038 644)	-	**(15 038 644)**	(14 430 766)	**607 878**	
Depreciation and amortisation	(146 163 320)	-	**(146 163 320)**	(149 029 118)	**(2 865 798)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(9 344 922)	**(9 344 922)**	BD 10
Finance costs	(17 670 726)	-	**(17 670 726)**	(13 409 012)	**4 261 714**	BD 11
Contribution to from provisions	(55 108 764)	-	**(55 108 764)**	(149 351 495)	**(94 242 731)**	BD 12
Debt impairment	(20 774 799)	-	**(20 774 799)**	(4 270 870)	**16 503 929**	BD 13
Bulk purchases	(294 007 940)	(1 755 414)	**(295 763 354)**	(287 344 031)	**8 419 323**	BD 14
Contracted services	(12 386 295)	-	**(12 386 295)**	(38 897 630)	**(26 511 335)**	BD 15
Transfers and subsidies	(6 778 550)	-	**(6 778 550)**	(5 555 047)	**1 223 503**	BD 16
Other expenses	(267 077 763)	1 876 914	**(265 200 849)**	(164 788 703)	**100 412 146**	BD 17
Total expenditure	**(1 159 838 846)**	**-**	**(1 159 838 846)**	**(1 150 240 601)**	**9 598 245**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**19 810 356**	**-**	**19 810 356**	**25 668 378**	**5 858 022**	

Stellenbosch Municipality

Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	6 450 700	-	**6 450 700**	15 927 823	**9 477 123**	BD 18
Other debtors	187 941 142	-	**187 941 142**	98 074 645	**(89 866 497)**	BD 19
Consumer debtors	132 043 595	-	**132 043 595**	103 418 056	**(28 625 539)**	BD 20
Current portion of long term receivables	190 237	-	**190 237**	38 408	**(151 829)**	
Cash and cash equivalents	492 310 050	-	**492 310 050**	609 430 080	**117 120 030**	BD 21
	818 935 724	**-**	**818 935 724**	**826 889 012**	**7 953 288**	
Non-Current Assets						
Biological assets that form part of an agricultural activity	11 545 138	-	**11 545 138**	10 349 934	**(1 195 204)**	
Investment property	555 042 825	-	**555 042 825**	555 933 900	**891 075**	
Property, plant and equipment	4 079 970 088	-	**4 079 970 088**	4 221 740 422	**141 770 334**	BD 22
Intangible assets	4 797 876	-	**4 797 876**	5 329 783	**531 907**	BD 23
Long term receivables	1 802 399	-	**1 802 399**	407 296	**(1 395 103)**	BD 24
	4 653 158 326	**-**	**4 653 158 326**	**4 793 761 335**	**140 603 009**	
Total Assets	**5 472 094 050**	**-**	**5 472 094 050**	**5 620 650 347**	**148 556 297**	
Liabilities						
Current Liabilities						
Other financial liabilities	10 570 010	-	**10 570 010**	48 023 464	**37 453 454**	BD 25
Payables from exchange transactions	125 789 622	-	**125 789 622**	182 204 654	**56 415 032**	BD 26
Consumer deposits	11 589 632	-	**11 589 632**	12 488 198	**898 566**	
Unspent conditional grants and receipts	27 503 329	-	**27 503 329**	37 079 744	**9 576 415**	BD 27
Provisions	25 478 963	-	**25 478 963**	45 230 959	**19 751 996**	BD 28
	200 931 556	**-**	**200 931 556**	**325 027 019**	**124 095 463**	
Non-Current Liabilities						
Other financial liabilities	186 509 069	-	**186 509 069**	150 333 877	**(36 175 192)**	BD 25
Employee benefit obligations	217 939 671	-	**217 939 671**	188 703 048	**(29 236 623)**	BD 29
Provisions	137 645 212	-	**137 645 212**	40 494 090	**(97 151 122)**	BD 28
	542 093 952	**-**	**542 093 952**	**379 531 015**	**(162 562 937)**	
Total Liabilities	**743 025 508**	**-**	**743 025 508**	**704 558 034**	**(38 467 474)**	
Net Assets	**4 729 068 542**	**-**	**4 729 068 542**	**4 916 092 313**	**187 023 771**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	3 046 379 583	-	**3 046 379 583**	1 031 711 893	**(2 014 667 690)**	
Accumulated surplus	1 682 688 959	-	**1 682 688 959**	3 884 380 420	**2 201 691 461**	
Total Net Assets	**4 729 068 542**	**-**	**4 729 068 542**	**4 916 092 313**	**187 023 771**	

Stellenbosch Municipality
Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	894 638 289	-	**894 638 289**	849 500 880	**(45 137 409)**	
Grants-operation	97 086 875	-	**97 086 875**	82 288 627	**(14 798 248)**	BD 30
Interest income	33 693 676	-	**33 693 676**	40 186 078	**6 492 402**	BD 31
Grant- capital	63 109 341	-	**63 109 341**	60 640 708	**(2 468 633)**	
	1 088 528 181	**-**	**1 088 528 181**	**1 032 616 293**	**(55 911 888)**	
Payments						
Suppliers and employee costs	(913 342 687)	-	**(913 342 687)**	(720 727 168)	**192 615 519**	BD 32
Finance costs	(17 670 726)	-	**(17 670 726)**	(13 409 012)	**4 261 714**	BD 33
Transfers and Grants	(6 778 550)	-	**(6 778 550)**	(5 555 047)	**1 223 503**	BD 34
	(937 791 963)	**-**	**(937 791 963)**	**(739 691 227)**	**198 100 736**	
Net cash flows from operating activities	**150 736 218**	**-**	**150 736 218**	**292 925 066**	**142 188 848**	
Cash flows from investing activities						
Capital assets	(251 030 778)	-	**(251 030 778)**	(227 420 465)	**23 610 313**	
Cash flows from financing activities						
Proceeds from other financial liabilities	100 000 000	-	**100 000 000**	50 000 000	**(50 000 000)**	BD 33
Repayment of other financial liabilities	(10 570 010)	-	**(10 570 010)**	(11 002 587)	**(432 577)**	
Net cash flows from financing activities	**89 429 990**	**-**	**89 429 990**	**38 997 413**	**(50 432 577)**	
Net increase/(decrease) in cash and cash equivalents	(10 864 570)	-	**(10 864 570)**	104 502 014	**115 366 584**	
Cash and cash equivalents at the beginning of the year	503 174 619	-	**503 174 619**	504 928 066	**1 753 447**	
Cash and cash equivalents at the end of the year	**492 310 049**	**-**	**492 310 049**	**609 430 080**	**117 120 031**	

1. Basis of Preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Accounting policies for material transactions, events or conditions not covered by the GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.4 Internal reserves

Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Self insurance reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

1.4 Internal reserves (continued)

Accumulated surplus

The accumulated surplus/ deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/ debited against accumulated surplus/ deficit. Prior year adjustments, relating to income and expenditure, are debited/ credited against accumulated surplus when retrospective adjustments are made.

1.5 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.6 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Revenue recognition

Accounting Policy 1.20 on Revenue from Exchange Transactions and Accounting Policy 1.21 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities is based on judgement by management.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of financial assets

Accounting Policy 1.12: Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policy 1.9 and 1.10 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are reassessed annually.

1.6 Significant judgements and sources of estimation uncertainty (continued)
Employee benefit obligations

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual Financial Statements.

Impairment of non-financial assets

The recoverable (service) amounts of cash-generating units and individual assets have been determined based in the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Value in use of non-cash generating assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions are raised and management determines an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 19 - Provisions.

Effective interest rate

The municipality uses the best estimate of the costs at the reporting date with reference to the inflation rate.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.7 Biological assets that form part of an agricultural activity

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

1.7 Biological assets that form part of an agricultural activity (continued)

Biological assets that form part of an agricultural activity are measured at their fair value less point of sales costs.

Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. Point-of-sales costs include commissions to brokers, levies by regulatory agencies and as well as transfer taxes and duties.

The changes in fair value less point-of- sale costs from one financial year end to the next are recognised in surplus and deficit in the period that it arises.

Item	**Useful life**
Trees in a plantation forest	indefinite

1.8 Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods and services, or the sale of an asset in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy on property, plant and equipment). The residual value of the investment property is then assumed to be zero. The municipality applies the cost model (as per the accounting policy on property, plant and equipment) until disposal of the investment property.

Once the municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Investment property is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of investment property is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the statement of financial performance.

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Property, plant and equipment is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the property, plant and equipment will flow to the municipality, and the cost or fair value can be determined reliably.

Measurement

Property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary cost of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent to initial recognition, items of property, plant and equipment, except for land and buildings are stated at cost, less accumulated depreciation and accumulated impairment losses, where applicable.

Land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that it’s use is expanded or the further development of an asset so that its original life is extended is examples of subsequent expenditure which should be capitalised.

Land

Land is not depreciated as it is deemed to have an indefinite useful life.

1.9 Property, plant and equipment (continued)

Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during the period.

If the related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period
- (b) If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready to be used.

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the statement of financial performance.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets and after taking into account the residual value of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following originally estimated useful lives (unless a technical assessment of an individual asset concludes that a material variation is necessary):

1.9 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land and Buildings	
• Land	indefinite
• Buildings	30-99
Infrastructure assets	
• Roads and paving	10-100
• Electricity	10-50
• Water	10-100
• Sewerage	10-100
• Housing	30
Community assets	
• Improvements	30
• Recreational facilities	20-30
• Security	5
Capital restoration asset	
• Landfill site	5-30
Other property, plant and equipment	
• Watercraft	15
• Specialised plant and equipment	10-15
• Other plant and equipment	2-5
• Specialised vehicles	10
• Office equipment	1-7
• Bins and containers	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.10 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

1.10 Intangible assets (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years
Databases	30 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.11 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.11 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the municipality.

1.12 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Consumer deposits are classified as financial liabilities.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

1.12 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

The calculation in respect of the impairment of fines receivable (receivables from non-exchange transactions) is based on an assessment of the past history of fines per category.

1.12 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.12 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.13 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.14 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, than their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

1.14 Inventories (continued)

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the statement of financial performance in the period in which they become receivable.

1.16 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

1.16 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.16 Impairment of cash-generating assets (continued)

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.17 Impairment of non-cash-generating assets

The municipality has classified all its assets as non-cash generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

1.17 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.18 Employee benefits

Employee benefits are all forms of consideration given by the municipality in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

A constructive obligation is an obligation that derives from the municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.18 Employee benefits (continued)

Short term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

1.18 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

1.18 Employee benefits (continued)

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement.

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

1.18 Employee benefits (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefits

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.18 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.19 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.19 Provisions and contingencies (continued)

Provision for the rehabilitation of landfill sites

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed it carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustments results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for the impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

Provision for constructive obligations (Grant-in-aid contributions)

Provision is made for any constructive obligations of the municipality. A constructive obligation arises through an established pattern of past practice, published policies or a sufficiently specific current standard, whereby the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.19 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.
A contingent liability:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality;
- a present obligation that arises from past events but is not recognised because: it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

1.20 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increase relating to contributions from owners.

Revenue is derived from a variety of sources that include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the remuneration received or receivable for the sale of services or goods in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where revenue and the underlying asset (receivable) has already been recognised based on the information available at the time of the transaction and subsequently arises as to the recoverability of the receivable, an impairment loss, also known as an allowance for impairment, is created and the provision is set-off against the receivables, as a provision for impairment.

1.20 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:
- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measure reliably.

Interest earned

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

1.20 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

1.21 Revenue from non-exchange transactions (continued)

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

1.21 Revenue from non-exchange transactions (continued)

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

Collection charges and penalties

Collection charges and penalty interest is recognised when:
- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality; and
- the amount of revenue can be measured reliably; and
  to the extent that there has been compliance with the relevant legal requirements (if applicable).

1.22 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.23 Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with a maturity period of between three and twelve months and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried in the balance sheet at fair value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with bank, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.24 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.25 Foreign currencies

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the statement of financial performance in the period in which they arise.

1.26 Comparative figures

Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in these financial statements and forms part of the audited annual financial statements.

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification are disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.27 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance in the year that the expense was incurred and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.28 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance in the year that the expenditure was recorded. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30 Accrued leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

1.31 Related parties

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.32 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.33 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.34 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

1.35 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand	2015	Restated 2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised): Borrowing Costs

The benchmark treatment will be to recognise the borrowing cost as an expense.

The effective date of the amendment is for years beginning on or after 30 April 2014.

The municipality has adopted the amendment for the first time in the 2015 financial statements.

The impact of the amendment is not material.

GRAP 100 (revised): Discontinued Operations

The amendment requires that non-current assets held for sale no longer be reclassified. Only disclosure will be made in the financial statements relating to the decision to dispose of non-current assets.

The effective date of the amendment is for years beginning on or after 30 April 2014.

The municipality has adopted the amendment for the first time in the 2015 financial statements.

The adoption of this has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2015 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

2. New standards and interpretations (continued)

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

2. New standards and interpretations (continued)

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;

2. New standards and interpretations (continued)

- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The impact of this standard is currently being assessed.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The impact of this standard is currently being assessed.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

The impact of this standard is currently being assessed.

DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

Figures in Rand	2015	Restated 2014

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	14 210	14 210
Bank balances	16 767 936	14 258 940
Current investment deposits	592 647 934	490 654 916
	609 430 080	**504 928 066**

Call deposits are investments with a maturity period between 3 and 12 months and earn interest varying from 7% to 15% per annum.

Included under current investment deposit is an investment with the New Republic Bank that is currently under curatorship amounting to R 170 839.

Current Investment deposits

Sanlam Investment Management	592 477 095	490 484 077
New Republic Bank	170 839	170 839
	592 647 934	**490 654 916**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
ABSA BANK - Stellenbosch Branch - Primary Bank Account - 410 188 031	15 895 995	13 149 135	22 862 515	16 767 936	14 258 940	33 956 381
ABSA BANK - Stellenbosch Branch - Municipal Service Account - 407 007 5635	-	-	-	-	-	-
ABSA BANK - Stellenbosch Branch - Municipal Services Account - 407 007 5635	-	-	-	-	-	-
ABSA Bank - Stellenbosch Branch - Traffic Account - 407 157 9787	-	-	-	-	-	-
Total	**15 895 995**	**13 149 135**	**22 862 515**	**16 767 936**	**14 258 940**	**33 956 381**

Included in cash and cash equivalents, an amount of R 100 000 is held as guarantee at the Post Office.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

Figures in Rand	2015	Restated 2014

4. Receivables from exchange transactions

	2015	Restated 2014
Gross balances		
Electricity	26 501 986	29 570 080
Water	51 698 214	45 128 258
Sewerage	17 454 037	15 569 330
Refuse	18 229 158	16 366 893
Housing rental	15 655 198	17 036 450
Sundry	11 930 688	11 140 327
	141 469 281	**134 811 338**
Less: Allowance for impairment		
Electricity	(2 340 437)	(1 142 753)
Water	(27 832 058)	(16 569 565)
Sewerage	(9 924 135)	(6 080 350)
Refuse	(11 498 105)	(7 118 426)
Regional services levies	-	(141 013)
Housing rental	(14 352 223)	(15 019 662)
Sundry	(2 201 016)	(1 241 981)
	(68 147 974)	**(47 313 750)**
Net balance		
Electricity	24 161 549	28 427 327
Water	23 866 156	28 558 693
Sewerage	7 529 902	9 488 980
Refuse	6 731 053	9 248 467
VAT on consumer receivables	-	(141 013)
Housing rental	1 302 975	2 016 788
Sundry	9 729 672	9 898 346
	73 321 307	**87 497 588**
Electricity		
Current (0 -30 days)	21 764 927	25 575 869
31 - 60 days	151 542	286 470
61 - 90 days	132 566	140 564
91 - 120 days	120 451	118 458
121 - 365 days	1 153 910	758 113
> 365 days	3 178 590	2 690 606
	26 501 986	**29 570 080**
Water		
Current (0 -30 days)	11 675 037	10 346 110
31 - 60 days	2 123 905	2 076 900
61 - 90 days	2 230 846	1 637 168
91 - 120 days	1 740 206	1 457 255
121 - 365 days	9 075 363	6 239 122
> 365 days	24 852 857	23 371 703
	51 698 214	**45 128 258**

Figures in Rand	2015	Restated 2014

4. Receivables from exchange transactions (continued)

Sewerage		
Current (0 -30 days)	3 482 941	3 239 722
31 - 60 days	534 803	383 415
61 - 90 days	519 285	367 576
91 - 120 days	466 639	355 333
121 - 365 days	3 271 219	2 701 320
> 365 days	9 179 150	8 521 964
	17 454 037	**15 569 330**
Refuse		
Current (0 -30 days)	2 854 001	2 460 588
31 - 60 days	552 784	404 473
61 - 90 days	537 724	390 393
91 - 120 days	477 467	379 886
121 - 365 days	3 478 158	3 002 680
> 365 days	10 329 024	9 728 873
	18 229 158	**16 366 893**
Housing rental		
Current (0 -30 days)	492 301	1 064 335
31 - 60 days	481 471	451 514
61 - 90 days	474 445	438 962
91 - 120 days	472 991	417 499
121 - 365 days	3 424 686	2 041 385
> 365 days	10 309 304	12 622 755
	15 655 198	**17 036 450**
Sundry		
Current (0 -30 days)	3 065 750	2 907 811
31 - 60 days	198 216	231 532
61 - 90 days	1 140 423	1 239 248
91 - 120 days	251 142	212 652
121 - 365 days	1 412 743	1 895 761
> 365 days	5 862 414	4 653 323
	11 930 688	**11 140 327**

Reconciliation of allowance for impairment

Balance at beginning of the year	(47 313 750)	(24 623 803)
Contributions to allowance	(20 834 224)	(22 689 947)
	(68 147 974)	**(47 313 750)**

Debtors to the amount of R16 million have been ceded to the Development Bank of Southern Africa in providing security for a loan raised from them.

Figures in Rand	2015	Restated 2014

4. Receivables from exchange transactions (continued)

Government debt as at 30 June 2015

Department responsible for debt	Rates	Services	Interest	Other fees	Total
Nat. dept of Public Works	135 623	606 384	26 347	334 612	1 102 966
Prov. dept of Transport and Public Works	-	21 902	1 183	6 264	29 349
Western Cape education department	-	1 643 606	7 438	880	1 651 924
Health	-	43 507	11 553	60	55 120
Dept of local government and housing	1 386	104	3 061	430	4 981
Other government departments	-	16 913	327	160	17 400
	137 009	**2 332 416**	**49 909**	**342 406**	**2 861 740**

5. Other receivables from exchange transactions

	2015	Restated 2014
Prepayments	2 834 197	2 990 248
Deposits	355 663	341 897
Accrued income	47 468 928	44 746 512
Insurance debtor	449 223	655 737
Other receivables	1 254 379	300 117
	52 362 390	**49 034 511**

6. Inventories

	2015	Restated 2014
Consumable stores	8 528 706	8 774 670
Water	383 750	219 001
Land inventory	7 015 367	7 377 438
	15 927 823	**16 371 109**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost or net realisable value. The total carrying amount relating to inventories amount to R 15 927 823 (2014 : R 16 371 109).

The amount of inventory written down is R 39 084 and is recognised as an expense and a reduction in the carrying value of inventories. The circumstances relating to the write down is as a result of fuel shortages, damaged stock and shortages on general stock items as reported and approved accordingly.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted R 6 295 142 (2014 : R (319 327)). Refer to note 12.

Inventory expensed for the year is R 31 461 595 (2014 : R20 868 030).

No inventories were pledged as security for liabilities.

Figures in Rand	2015	Restated 2014

7. Receivables from non-exchange transactions

Property rates	30 096 749	32 852 747
Fines	24 768 976	24 350 496
Capital receivables	7 060 414	10 823 032
Other receivables	553 548	526 152
	62 479 687	**68 552 427**

Capital receivables represent funding that Council is awaiting from external institutions for capital expenditure incurred and claimed, but not yet received at year-end.

The average credit period for capital receivables is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding capital receivables. The subsidies are payable to the municipality resulting from allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Gross balances		
Fines	103 677 110	114 659 980
Capital receivables	7 060 414	10 823 032
Property rates	36 863 841	36 588 492
Other receivables	553 548	526 152
	148 154 913	**162 597 656**
Less: Allowance for impairment		
Fines	(78 908 134)	(90 309 484)
Property rates	(6 767 092)	(3 735 745)
	(85 675 226)	**(94 045 229)**
Net balances		
Fines	24 768 976	24 350 496
Capital receivables	7 060 414	10 823 032
Property rates	30 096 749	32 852 747
Other receivables	553 548	526 152
	62 479 687	**68 552 427**
Fines		
Current (0 -30 days)	5 271 200	6 113 280
31 - 60 days	6 952 450	7 118 950
61 - 90 days	5 995 750	5 488 500
91 - 120 days	5 543 850	5 590 850
121 - 365 days	32 781 800	38 277 023
> 365 days	47 132 060	52 071 377
	103 677 110	**114 659 980**
Government grants and subsidies		
Current (0 -30 days)	3 702 703	3 859 334
31 - 60 days	-	4 763 000
> 365 days	3 357 711	2 200 698
	7 060 414	**10 823 032**

Figures in Rand	2015	Restated 2014

7. Receivables from non-exchange transactions (continued)

Property rates

	2015	Restated 2014
Current (0 -30 days)	11 773 102	11 934 898
31 - 60 days	606 102	738 334
61 - 90 days	516 241	579 678
91 - 120 days	468 292	612 392
121 - 365 days	6 134 037	6 193 842
> 365 days	17 366 067	16 529 348
	36 863 841	**36 588 492**

Other receivables from non-exchange revenue

	2015	Restated 2014
Current (0 -30 days)	350 987	323 591
> 365 days	202 561	202 561
	553 548	**526 152**

Reconciliation of allowance for impairment of receivables from non-exchange transactions

	2015	Restated 2014
Opening balance	(94 045 229)	(116 550 292)
Reversals to allowance	8 370 003	22 505 063
	(85 675 226)	**(94 045 229)**

8. VAT receivable

	2015	Restated 2014
South African Revenue Services	13 329 317	786 025

9. Biological assets that form part of an agricultural activity

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Trees in a plantation forest	10 349 934	-	10 349 934	10 808 106	-	10 808 106

Reconciliation of biological assets that form part of an agricultural activity - 2015

	Opening balance	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	10 808 106	(473 942)	15 770	10 349 934

Reconciliation of biological assets that form part of an agricultural activity - 2014

	Opening balance	Decreases due to harvest / sales	Gains or losses arising from changes in fair value	Total
Trees in a plantation forest	11 545 138	(1 131 978)	394 946	10 808 106

9. Biological assets that form part of an agricultural activity (continued)

Non - Financial information

2015 **Nature and Quantities of each biological asset**	Opening Balance	Less: Decrease due to Harvest	Fair Value Decrease (-)/Increase for the year	Closing balance
Botmanskop Plantation	3 984 452	-	563 616	4 548 068
Paradyskloof Plantation	6 823 654	(473 942)	(547 846)	5 801 866
	10 808 106	**(473 942)**	**15 770**	**10 349 934**

2014 **Nature and Quantities of each biological asset**	Opening Balance	Less: Decrease due to Harvest	Fair Value Decrease (-)/Increase for the year	Closing balance
Botmanskop Plantation	3 833 279	-	151 173	3 984 452
Paradyskloof Plantation	7 711 859	(1 131 978)	243 773	6 823 654
	11 545 138	**(1 131 978)**	**394 946**	**10 808 106**

The determination of fair value was as follow:

Principle:

Price determination: was done on the basis of current sale value of the tender for the current year i.e. R581/m3 excluding 14% VAT. This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m3/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

1. Botmanskop plantation (Block E)	Some compartments remain which can be harvested at a later stage due to the age of the trees.
2. Paradyskloof plantation (Block G)	Some compartments remain which can be harvested at a later stage due to the age of the trees.

Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

10. Investment property

	2015			**2014**		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	555 933 900	-	555 933 900	539 342 825	-	539 342 825

10. Investment property (continued)

Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	539 342 825	16 591 075	555 933 900

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	539 342 825	-	539 342 825

Pledged as security

None of the above investment property have been pledged as security.

Method of Asset Valuation 2015

The effective date of the revaluation was 30 June 2015. Revaluations were performed by an independent valuer, Mr White, professional associated valuer of Grant Thornton.

Method:
Each property has been identified and inspected and the revalued amount apportioned between land and buildings. Each of the three main methods (investment approach, direct comparison and cost) of valuing property has been adopted depending on the specific property.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Revaluation of all investment property was performed by an accredited registered independent valuator, Mr. White.

Details of valuation

Stellenbosch Municipality performed a valuation for the year ending 30 June 2015. For the current year under review ending Tuesday, June 30, 2015, the independent valuator, provided the municipality with a valuation namely, Mr White, professional associated valuer, of Grant Thornton. Grant Thornton is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The basis of valuation is fair value which in terms of GRAP has a similar meaning to market value and is the highest possible price that could be obtained for the item of Property, Plant and Equipment, without regard to its existing use. Although fair value is not necessarily synonymous with market value, the fair value of land and buildings is usually determined for market-based evidence. In terms of GRAP, fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Figures in Rand	2015	Restated 2014

11. Long term receivables

At amortised cost		
Officials: Erven Loans	22 442	27 470
Farmers: Water Schemes	292 755	310 523
Housing Selling Scheme Loans	1 457 439	1 622 200
Loans and receivables (impairments)	(1 326 932)	(1 255 286)
	445 704	**704 907**
Non-current assets		
At amortised cost	407 296	627 683
Current assets		
At amortised cost	38 408	77 224

12. Property, plant and equipment

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	953 042 522	(25 790 547)	927 251 975	892 372 898	(16 721 243)	875 651 655
Infrastructure	3 978 405 651	(841 099 372)	3 137 306 279	3 795 615 071	(720 788 871)	3 074 826 200
Community assets	65 694 775	(15 770 250)	49 924 525	54 633 965	(11 831 650)	42 802 315
Capital restoration asset	14 257 304	(5 980 263)	8 277 041	14 305 985	(3 205 023)	11 100 962
Other property, plant and equipment	246 034 548	(147 777 948)	98 256 600	212 615 070	(127 495 243)	85 119 827
Total	**5 257 434 800**	**(1 036 418 380)**	**4 221 016 420**	**4 969 542 989**	**(880 042 030)**	**4 089 500 959**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Work in progress/ Under construction**	**Disposals**	**Transfers**	**Revaluations**	**Changes in existing restoration costs**	**Depreciation**	**Impairment loss**	**Total**
Land and buildings	875 651 655	6 307 143	-	-	-	56 210 577	-	(5 001 158)	(5 916 242)	927 251 975
Infrastructure	3 074 826 200	145 709 259	30 669 593	-	6 295 142	-	-	(115 504 099)	(4 689 816)	3 137 306 279
Community assets	42 802 315	6 981 474	2 432 030	-	-	-	-	(2 291 294)	-	49 924 525
Capital restoration asset	11 100 962	-	-	-	-	-	(48 681)	(2 775 240)	-	8 277 041
Other property, plant and equipment	85 119 827	33 254 038	2 025 104	(487 865)	-	76 229	3 368	(21 740 111)	6 010	98 256 600
	4 089 500 959	**192 251 914**	**35 126 727**	**(487 865)**	**6 295 142**	**56 286 806**	**(45 313)**	**(147 311 902)**	**(10 600 048)**	**4 221 016 420**

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Work in Progress/ Under Construction	Disposals	Transfers	Changes in existing restoration costs	Depreciation	Total
Land and buildings	878 692 117	1 054 682	-	-	9 096	-	(4 104 240)	875 651 655
Infrastructure	3 051 521 006	93 710 900	39 943 657	-	(319 327)	-	(110 030 036)	3 074 826 200
Community assets	35 778 133	8 090 337	604 160	-	-	-	(1 670 315)	42 802 315
Capital restoration asset	16 025 117	-	-	-	-	(1 719 132)	(3 205 023)	11 100 962
Other property, plant and equipment	75 372 009	15 782 019	13 139 669	(551 168)	-	-	(18 622 702)	85 119 827
	4 057 388 382	**118 637 938**	**53 687 486**	**(551 168)**	**(310 231)**	**(1 719 132)**	**(137 632 316)**	**4 089 500 959**

Pledged as security

None of the above property, plant and equipment have been pledged as security.

The net transfer of GRAP 12 inventory to property, plant and equipment amounted to R 6 295 142 (2014:R (319 327)).

Method of Asset Valuation 2015

1. The date of valuation was 30 June 2015.
   Revaluation of all land and buildings was performed by an accredited registered independent valuator, Mr White.

2. Method:

2.1 Each property has been identified and inspected and the revalued amount apportioned between land and buildings.

2.2 Each of the three main methods (investment approach, direct comparison and cost) of valuing property has been adopted depending on the specific property.

12. Property, plant and equipment (continued)

Details of Valuation

Stellenbosch Municipality performed a valuation for the year ending 30 June 2015. The aforementioned valuations were performed by an independent valuer, Mr White, professional associated valuer, Grant Thornton at the time. Grant Thornton is not connected to the municipality and have recent experience in location and category of the investment property and land and buildings being valued.

The basis of valuation is fair value which in terms of GRAP has a similar meaning to market value and is the highest possible price that could be obtained for the item of Property, Plant and Equipment, without regard to its existing use. Although fair value is not necessarily synonymous with market value, the fair value of Land and Buildings is usually determined for market-based evidence. In terms of GRAP, fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

13. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6 113 740	(783 957)	5 329 783	3 550 096	(321 868)	3 228 228

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software, other	3 228 228	2 563 644	(462 089)	5 329 783

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 673 142	1 822 149	(267 063)	3 228 228

Figures in Rand	2015	Restated 2014

14. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	724 002	-	724 002	724 002	-	724 002

Reconciliation of heritage assets 2015

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	724 002	-	724 002

Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	504 830	219 172	724 002

Heritage assets used for more than one purpose

The following heritage assets are used by the municipality for more than one purpose:

	2015	Restated 2014
Neethlinghuis and De Witthuis	108 000 000	98 000 000
58 - 60 Andringa Street	2 700 000	2 610 000
35B Mark Street	5 000 000	4 282 000
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	17 280 000	17 280 000
116 - 118 Dorp Street, Voorgelegen - offices	8 250 000	7 650 000
4 Reservoir West, Mooiwater	2 350 000	2 050 000
34 Mark Street, Rynse Komplex: Toy Museum, Tourism, Youth Trust & PMU Building	13 250 000	12 492 000
Alexander Street, Burger Huis	3 080 000	3 080 000
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	104 000 000	97 600 000
Die Laan, Landbou Saal	5 000 000	4 500 000
	268 910 000	**249 544 000**

15. Consumer deposits

	2015	Restated 2014
Water	4 305 678	3 862 264
Electricity	7 683 428	7 101 966
Housing rental	499 092	478 539
	12 488 198	**11 442 769**

16. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Figures in Rand	2015	Restated 2014

16. Employee benefit obligations (continued)

Carrying value

Post-retirement health care benefits liability	171 923 864	124 717 000
Long Service Awards	25 716 595	25 036 000
Salary control	4 203 869	8 700 065
Bonus accrual	8 327 109	8 175 229
Leave gratuity	15 037 824	10 797 824
Net liability	**225 209 261**	**177 426 118**

Non-current liabilities	188 703 048	141 794 000
Current liabilities	36 506 213	35 632 118
	225 209 261	**177 426 118**

16.1 Post- retirement healthcare benefit liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2015 by C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

The members of the post-employment health care benefit plan are made up as follows:

In-service members (Employees)	574	560
Continuation members (Retirees, widow(ers) and orphans)	188	179
Total members	**762**	**739**

The liability in respect of past service has been estimated as follows:

In-service members	78 131 558	54 214 000
Continuation members	93 792 306	70 503 000
Total liability	**171 923 864**	**124 717 000**

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

The principal assumptions used for the purposes of the actuarial valuations were as follows:
i) Rates of Interest

Discount rate	8,87 %	8,94 %
Health care cost inflation rate	7,95 %	8,05 %
Net effective discount rate	0,85 %	0,82 %

ii) Normal retirement age

Expected retirement age - females	63	63
Expected retirement age - males	63	65

The PA (90) ultimate mortality table was used by the actuaries

Figures in Rand	2015	Restated 2014

16. Employee benefit obligations (continued)

Pre-retirement: The SA 85-90 ultimate table, adjusted for female lives, was used.

Movements in the present value of the Defined Benefit Obligation were as follows:

	2015	Restated 2014
Balance at the beginning of the year	124 717 000	164 915 026
Current service costs	4 043 000	7 800 400
Interest cost	11 059 000	14 120 900
Actual employee benefits payments	(6 753 581)	(6 132 238)
Actuarial (losses) / gains	38 858 445	(55 987 088)
Present Value of Fund Obligation at the end of the Year	**171 923 864**	**124 717 000**

The amounts recognised in the Statement of Financial Position are as follows

	2015	Restated 2014
Present value of fund obligations	171 923 864	124 717 000

The amounts recognised in the Statement of Financial Performance are as follows:

	2015	Restated 2014
Current service cost	4 043 000	7 800 400
Interest cost	11 059 000	14 120 900
Actuarial (gain)/ loss recognised in profit and loss	38 858 445	(55 987 088)
	53 960 445	**(34 065 788)**

Amounts for the current and previous four periods are as follows:

Present Value of Unfunded Defined Benefit

2015	171 923 864
2014	124 717 000
2013	164 915 026
2012	151 108 687
2011	136 085 667

16. Employee benefit obligations (continued)

Sensitivity analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		78,132	93,729	171,924	
Health care inflation	1 %	91,571	103,866	195,437	14 %
	(1)%	66,397	85,161	151,558	(12)%
Discount rate	1 %	63,797	85,296	149,093	(13)%
	(1)%	96,934	103,880	200,814	17 %
Post-retirement mortality	-1 year	80,861	97,498	178,359	4 %
Average retirement age	-1 year	85,339	93,792	179,131	4 %
Continuation of membership at retirement	(10)%	71,122	93,792	164,914	(4)%

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest cost	Total	% change
Central assumptions		4 043 000	11 059 000	15 102 000	
Health care inflation	1 %	4 121 000	11 310 000	15 431 000	2 %
	(1)%	3 908 000	10 692 000	14 600 000	(3)%
Mortality	(20)%	4 224 000	11 854 000	16 078 000	6 %
	20 %	3 894 000	10 389 000	14 283 000	(5)%

Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.
Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2015.

The municipality expects to make a contribution of R 6 639 288 to the Defined Benefit Plans during the next financial year.

Figures in Rand	2015	Restated 2014

16. Employee benefit obligations (continued)

16.2 Long Service Awards

Non-Current Liability		
Opening balance	25 036 000	23 963 762
Additions	2 113 840	2 357 838
Utilised during the year	(1 433 245)	(1 285 600)
	25 716 595	**25 036 000**

Current Liability		
	2 298 123	1 864 000

Movement in the present value of Long Service Awards were as follows:

Opening balance	25 036 000	23 963 762
Current service cost	2 118 000	1 982 461
Interest cost	2 017 000	1 783 932
Actuarial (gains) losses	(2 021 160)	(1 408 555)
Benefits paid	(1 433 245)	(1 285 600)
Total included in employee related costs	**25 716 595**	**25 036 000**

The amount recognised in the Statement of Financial Position are as follows:

Present value of long service awards	25 716 595	25 036 000

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	2 118 000	1 982 461
Actuarial gains (losses)	(2 021 160)	(1 408 555)
Interest cost	2 017 000	1 783 932
Closing balance	**2 113 840**	**2 357 838**

Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover. No other long service benefits are provided to employees.

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,25 %	7,96 %
Expected rate of return on assets	7,20 %	7,33 %
Expected rate of return on reimbursement rights	0,98 %	0,59 %

Figures in Rand	2015	Restated 2014

16. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Accrued liabilities	25 716 595	25 036 000	23 963 762	21 813 825	17 468 444

Sensitivity analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		25,717	
General salary inflation	1 %	27,906	9 %
	(1)%	23,775	(8)%
Discount rate	1 %	23,704	(8)%
	(1)%	28,031	9 %
Average retirement age	- 2 years	22,274	(13)%
	+ 2 years	29,103	13 %
Withdrawal rates	(50)%	27,702	8 %

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		2 118 000	2 017 000	4 135 000	
General salary inflation	1 %	2 364 000	2 216 000	4 580 000	11 %
	(1)%	1 907 000	1 842 000	3 749 000	(9)%
Withdrawal rates	(20)%	2 220 000	2 075 000	4 295 000	4 %
	20 %	2 027 000	1 964 000	3 991 000	(3)%

17. Operating lease liability

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

	2015	Restated 2014
Balance at beginning of year	3 445 058	325 495
Operating lease expenses recorded	5 398 198	4 543 688
Operating lease revenue realised	(723 360)	(482 240)
Operating lease payments effected	(5 707 776)	(4 558 684)
Operating lease income received at inception	-	3 616 800
	2 412 120	**3 445 059**

Figures in Rand	2015	Restated 2014

17. Operating lease liability (continued)

Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

The Municipality as Lessor:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period.

The total amount in terms of the lease agreement was received at the inception of the lease.

Amounts Payable under Operating Leases

At the reporting date, the municipality had outstanding commitments under Operating Leases for Property, Plant and Equipment, which fall due as follows:

Land and Buildings:		
Up to 1 year	-	4 271 963

Figures in Rand	2015	Restated 2014

17. Operating lease liability (continued)

Vehicles and Other Equipment		
Up to 1 year	1 435 783	561 415
2 to 5 years	874 399	561 384
	2 310 182	**1 122 799**

The following payments have been recognised as an expense in the Statement of Financial Performance:

Total Operating Lease Expenses		
Minimum lease payments	5 398 198	4 543 688

The following amounts have been recognised as revenue in the Statement of Financial Performance:

Total Operating Lease Income		
Minimum lease income	(723 360)	(482 240)

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

18. Other financial liabilities

At amortised cost		
Annuity Loans	159 439 004	116 741 591
Development Bank of South Africa		
Concessionary loans received	-	3 700 000
	159 439 004	**120 441 591**
Total other financial liabilities	**159 439 004**	**120 441 591**

Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest rates varying from 9.25% to 11.10% per annum.

Non-current liabilities		
At amortised cost	150 333 877	109 961 692
Current liabilities		
At amortised cost	9 105 127	10 479 899

Figures in Rand	2015	Restated 2014

19. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Change in restoration estimate	Total	Current Liabilities
Rehabilitation of landfill sites	67 921 136	-	(4 578 287)	13 013 533	76 356 382	35 862 292
Constructive Obligations	316 303	295 291	(282 264)	-	329 330	329 330
Clearing of alien vegetation	9 679 958	-	(640 621)	-	9 039 337	9 039 337
	77 917 397	**295 291**	**(5 501 172)**	**13 013 533**	**85 725 049**	**45 230 959**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total	Current Liabilities
Rehabilitation of landfill sites	58 750 500	9 359 136	(188 500)	67 921 136	16 497 727
Cape Joint Pension	4 587 998	(766 204)	(3 821 794)	-	-
Constructive obligations	307 158	315 066	(305 921)	316 303	316 301
Clearing of alien vegetation	10 367 400	-	(687 442)	9 679 958	640 621
	74 013 056	**8 907 998**	**(5 003 657)**	**77 917 397**	**17 454 649**

Non-current liabilities	40 494 090	60 462 748
Current liabilities	45 230 959	17 454 649
	85 725 049	**77 917 397**

Clearing of Alien Vegetation

The provision for clearing of alien vegetation relates to the estimated cost for the clearing of alien vegetation from the areas under the jurisdiction of the municipality.

In terms of the Conservation of Agricultural Resources Act, (Act 43 of 1983) the provision for the clearing of alien vegetation was established in 2005/06 as a start to address the backlogs that existed.

Rehabilitation of Landfill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R76 356 382 (2014: R67 921 136) to restore the site at the end of its useful life, estimated to be in the 2016/2017 financial year. Provision has been made for the best estimate of costs at the reporting date with reference to the inflation rate.

Constructive obligations

Constructive obligations related to Grants in Aid: Rental exist due to expectations created on the part of other parties that the municipality will discharge certain responsibilities.

Figures in Rand	2015	Restated 2014

20. Payables from exchange transactions

Trade payables	83 135	80 848
Payments received in advance	6 517 472	5 049 277
Retention	19 754 950	16 710 076
Other creditors	111 383 778	64 162 202
Sundry deposits	4 110 597	3 390 533
Impounded vehicles	58 450	70 508
Accruals at year end	40 296 276	41 375 396
	182 204 658	**130 838 840**

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Provincial Government Grants	6 532 628	6 604 988
Other Sources	5 295 950	3 656 553
Developers Contribution - Sewerage	3 255 177	2 080 762
Developers Contribution - Roads	3 481 985	1 626 984
Developers Contribution - Electricity	6 666 167	4 206 902
Developers Contribution - Water	2 777 004	1 409 455
Developers Contribution - Open Areas	165 928	165 928
Developers Contribution - Parking.	1 511 442	1 511 442
Developers Contribution - General	117 753	117 753
Developers Contribution - La Clemence	1 003 615	967 626
Frandevco: Development Rights	3 347 553	3 347 553
Franschhoek: low cost housing (phase 2)	301 300	301 300
Developers contribution - refuse	351 721	232 736
Developers contribution - stormwater	1 078 055	700 653
Emergency housing	-	2 928 036
LGWSETA training	725 455	1 443 204
Dilbeeck	1	601 340
Financial management support grant	400 000	400 000
Library services support grant	-	582 489
Housing consumer education	68 010	68 010
CDW support grant	-	31 354
Municipal systems improvement grant	-	755 539
	37 079 744	**33 740 607**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Other sources consist of grants made by external donors.

These amounts are invested in a ring-fenced investment until utilised.

22. Revaluation reserve

Opening balance	960 671 027	962 082 597
Increase in Revaluation of Land and Buildings	72 881 251	-
Depreciation	(1 840 385)	(1 411 570)
	1 031 711 893	**960 671 027**

Figures in Rand	2015	Restated 2014

22. Revaluation reserve (continued)

The Revaluation Reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to the Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the Municipality's Accounting Policy and relevant case law. The payment of cash distributions out of the reserve is restricted by the terms of the Municipality's Accounting Policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council does not currently intend to make any distribution from the Revaluation Reserve.

23. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	Disaster Fund	Housing development fund	Accumulated surplus	Total
Opening balance	103 661 289	402 980 681	262 694 640	93 446 587	9 885 492	-	(10 668 672)	2 993 555 329	3 855 555 346
Offsetting of depreciation	-	(131 772 321)	(2 466 963)	(13 705 734)	-	-	-	147 945 018	-
Surplus for the year	-	-	-	-	-	-	-	43 575 765	43 575 765
Property, plant and equipment purchases	(112 940 908)	-	44 578 557	9 925 691	-	-	-	58 436 660	-
Contribution to Reserves	91 500 000	-	-	-	-	-	-	(91 500 000)	-
Transfer to reserves	-	-	-	-	-	1 700 544	1 063 326	(2 763 870)	-
Fair value adjustment	-	-	-	-	-	-	-	(16 591 076)	(16 591 076)
Disposals	-	(387 056)	-	(63 297)	-	-	-	450 353	-
Movement in revaluation reserve	-	-	-	-	-	-	-	1 840 385	1 840 385
	82 220 381	**270 821 304**	**304 806 234**	**89 603 247**	**9 885 492**	**1 700 544**	**(9 605 346)**	**3 134 948 564**	**3 884 380 420**

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations and public contributions	Insurance reserve	Disaster Fund	Housing development fund	Accumulated Surplus	Total
Opening balance	126 299 244	416 602 658	230 823 039	81 239 106	9 885 492	-	(9 247 038)	2 843 677 672	3 699 280 173
Offsetting of depreciation	-	(13 621 977)	(4 967 086)	(11 882 610)	-	-	-	30 471 673	-
Surplus for the year	-	-	-	-	-	-	-	154 863 603	154 863 603
Property, plant and equipment purchases	(113 437 967)	-	36 838 687	24 090 091	-	-	-	52 509 189	-
Contribution to Capital Replacement Reserve	90 800 012	-	-	-	-	-	-	(90 800 012)	-
Transfer to Housing development fund	-	-	-	-	-	-	(1 421 634)	1 421 634	-
Movement in revaluation reserve	-	-	-	-	-	-	-	1 411 570	1 411 570
	103 661 289	**402 980 681**	**262 694 640**	**93 446 587**	**9 885 492**	**-**	**(10 668 672)**	**2 993 555 329**	**3 855 555 346**

Figures in Rand	2015	Restated 2014

23. Accumulated surplus (continued)

Total Accumulated Surplus

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.
The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

The comparative figures were restated. Refer to the prior period error note 58.

24. Service charges

Sale of electricity	414 759 405	423 563 012
Sale of water	122 046 159	103 002 438
Sewerage and sanitation charges	65 628 204	56 808 956
Refuse removal	40 024 834	35 250 432
Free basic services	(17 290 608)	(14 954 530)
	625 167 994	**603 670 308**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25. Rental of facilities and equipment

Premises		
Rental Revenue from other facilities	11 883 907	11 144 784
Rental Revenue from buildings	25 732	23 182
	11 909 639	**11 167 966**
Facilities and equipment		
Rental Revenue from Land	4 899 009	4 199 981
Rental of equipment	128	64
	4 899 137	**4 200 045**
	16 808 776	**15 368 011**

26. Interest earned- outstanding receivables

Interest earned - outstanding receivables	6 313 897	4 886 929

27. Agency services

Licence fees	2 018 435	1 844 011

The municipality collects licence fees on behalf of the provincial government western cape and receives a 12.5% agency fee.

Figures in Rand	2015	Restated 2014

28. Investment revenue

Interest revenue		
Bank	2 331 568	3 046 911
Current investment deposits	37 854 510	26 810 892
	40 186 078	**29 857 803**

29. Other income

Actuarial gain	2 021 160	57 395 644
Applications fees	687 209	719 076
Building clause	570 749	547 929
Building plan fees	3 724 643	3 634 009
Contributions from reserves and operational grants	54 324	51 900
Entrance fees	497 507	496 322
Other revenue VAT	4 099 070	3 757 416
Parking revenue	3 582 904	2 325 213
Quoted services	2 098 511	2 667 822
Reconnection fees	1 355 632	408 904
Sundry	5 700 994	5 351 870
Testing of drivers	1 038 096	947 260
Cemetery plots	288 390	222 119
Land sales	754 794	-
	26 473 983	**78 525 484**

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 24 and 25 rendered which are billed to or paid for by the users as the services are reclaimed according to approved tariffs or offers received in terms of supply chain procedures, i.e. wood sales.

30. Property rates

Rates received

Residential	147 230 208	129 691 097
Commercial	121 140 786	120 824 486
Agricultural	13 494 220	12 873 814
Less: Income forgone	(32 346 554)	(29 821 368)
	249 518 660	233 568 029
Property rates - penalties imposed	2 850 333	2 364 887
	252 368 993	**235 932 916**

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.
The last valuation came into effect on 1 July 2013. Two interim valuations were performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2015:
R 0.01067 - Non Residential (2014: R 0.0101)
R 0.00533 - Residential (2014:0.00505)
R 0.00133 - Agricultural (2014: 0.00126)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 7 October. Interest is levied as per council's Credit Control and Debt Collection Policy on outstanding rates amounts.

Figures in Rand	2015	Restated 2014

31. Government grants and subsidies

Operating grants		
Equitable share	65 606 000	50 157 000
Financial management grant	1 250 000	1 300 000
CDW support grant	83 817	36 446
LGWSETA training	1 605 547	1 026 163
Provincial government PHP top structures	2 870 853	35 841 428
Library services support grant	5 413 489	1 083 926
Municipal systems improvement grant	934 000	677 639
Other grants and subsidies operating	2 680 921	805 781
EPWP support grant	1 544 000	1 760 000
Arbor city awards	300 000	-
	82 288 627	92 688 383
Capital grants		
National government grants	47 439 178	36 838 688
Provincial government grants	9 780 466	13 480 795
Developers contribution - sewerage	-	603 582
Developers contribution - roads	-	450 000
Developers contribution - electricity	-	6 038 397
Developers contribution - water	-	3 100 000
Developers contribution - la clemence	81 927	302 840
Other sources	-	114 477
	57 301 571	60 928 779
	139 590 198	**153 617 162**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 284 (2014: R 255), which is funded from the grant. Bulk basic services are also provided free of charge to informal settlements to ensure that these communities have access to basic services.

National government grants- Capital

Current-year receipts	47 439 178	36 838 688
Conditions met - transferred to revenue	(47 439 178)	(36 838 688)
	-	**-**

The National Government grant includes all the grants that was gazetted in the DORA in 2014/2015. It includes the following grant: Municipal infrastructure grant, Financial management grant and Regional bulk infrastructure grant.

Municipal infrastructure grant

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Financial management grant

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Regional bulk infrastructure grant

To develop new and refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to develop new and refurbish, upgrade and replace ageing waste water infrastructure of regional significance.

Figures in Rand	2015	Restated 2014

31. Government grants and subsidies (continued)

Provincial government grants- Capital

Balance unspent at beginning of year	6 604 988	10 185 186
Current-year receipts	9 708 106	9 900 597
Conditions met - transferred to revenue	(9 780 466)	(13 480 795)
	6 532 628	**6 604 988**

The Provincial government grant includes all the grants that was gazetted in the Provincial allocations in 2014/2015. It includes the following grants: Human settlement development grant, Maintenance and construction of transport infrastructure, Integrated transport planning.

Human settlements development grant

To provide funding for the creation of sustainable human settlements. The facilitation and provision of basic infrastructure, top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements.

Integrated transport planning

To review and update municipal integrated transport plans in terms of the National Land Transport Act, 2009 (Act No. 5 of 2009).

Maintenance and construction of transport infrastructure

To financially assist/subsidise municipalities with the maintenance/construction of proclaimed municipal main roads, where the municipality is the Road Authority (Section 50 of Ordinance 19 of 1976).

Conditions still to be met - remain liabilities. Refer to note 21.

Other sources- Capital

Balance unspent at beginning of year	3 656 553	3 656 553
Current-year receipts	1 639 397	3 731 277
Conditions met - transferred to revenue	-	(114 477)
Correction of Prior Year Error	-	(3 616 800)
	5 295 950	**3 656 553**

The other sources includes all the donations which we received in 2014/2015 such as Dilbeeck and National lottery funds.

Dilbeeck

To assist the municipality with youth development, prevention services and environment development.

National lottery

Assist the municipality with the development of sports and recreational facilities and programmes.

Developers contributions- Sewerage

Balance unspent at beginning of year	2 080 762	2 266 667
Current-year receipts	1 174 415	417 677
Conditions met - transferred to revenue	-	(603 582)
	3 255 177	**2 080 762**

Figures in Rand	2015	Restated 2014

31. Government grants and subsidies (continued)

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Developers contributions- Roads

Balance unspent at beginning of year	1 626 984	1 433 329
Current-year receipts	1 855 001	643 655
Conditions met - transferred to revenue	-	(450 000)
	3 481 985	**1 626 984**

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Developers contributions- Electricity

Balance unspent at beginning of year	4 206 902	2 797 587
Current-year receipts	2 459 265	7 447 712
Conditions met - transferred to revenue	-	(6 038 397)
	6 666 167	**4 206 902**

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Developers contributions- Water

Balance unspent at beginning of year	1 409 455	3 866 509
Current-year receipts	1 367 549	642 946
Conditions met - transferred to revenue	-	(3 100 000)
	2 777 004	**1 409 455**

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Developers contributions- Open areas

Balance unspent at beginning of year	165 928	165 928

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Provide explanations of conditions still to be met and other relevant information.

Developers contributions- Parking

Balance unspent at beginning of year	1 511 442	1 440 348
Current-year receipts	-	71 094
	1 511 442	**1 511 442**

Figures in Rand	2015	Restated 2014

31. Government grants and subsidies (continued)

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Developers contributions- General

Balance unspent at beginning of year	117 753	117 753

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Developers contributions- La Clemence

Balance unspent at beginning of year	967 626	1 077 067
Current-year receipts	117 917	193 399
Conditions met - transferred to revenue	(81 928)	(302 840)
	1 003 615	**967 626**

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Frandevco development

Balance unspent at beginning of year	3 347 553	3 347 553

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

FHK Low cost housing

Balance unspent at beginning of year	301 300	301 300

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Developers contributions- Refuse

Balance unspent at beginning of year	232 736	205 836
Current-year receipts	118 985	26 900
	351 721	**232 736**

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Figures in Rand	2015	Restated 2014

31. Government grants and subsidies (continued)

Developers contributions- Stormwater

Balance unspent at beginning of year	700 653	668 782
Current-year receipts	377 402	31 871
	1 078 055	**700 653**

Developer contributions are received in respect of the additional impact that their development have on the bulk service. The funds will be utilised when services are developed. The unspent funds will remain a liability. Refer to note 21.

Top structures

Current-year receipts	2 870 853	35 841 428
Conditions met - transferred to revenue	(2 870 853)	(35 841 428)
	-	**-**

To provide funding for the creation of sustainable human settlements. The facilitation and provision of basic infrastructure, top structures and basic social and economic amenities that contribute to the establishment of sustainable human settlements.

Emergency housing

Balance unspent at beginning of year	2 928 036	-
Current-year receipts	-	3 304 007
Conditions met - transferred to revenue	(2 928 036)	(375 971)
	-	**2 928 036**

Reimbursement of fire disaster expenditure was ring-fenced for emergency housing.

LGW Seta training

Balance unspent at beginning of year	1 443 204	1 971 974
Current-year receipts	887 798	497 393
Conditions met - transferred to revenue	(1 605 547)	(1 026 163)
	725 455	**1 443 204**

According to the Skills Development Act and the Skills Development Levies Act, an organisation can claim back some of the levies paid to be used on training of its employees.

Arbor city awards

Current-year receipts	300 000	-
Conditions met - transferred to revenue	(300 000)	-
	-	**-**

Conditions still to be met - remain liabilities. Refer to note 21.

Figures in Rand	2015	Restated 2014

31. Government grants and subsidies (continued)

Dilbeeck youth development

Balance unspent at beginning of year	601 340	189 195
Current-year receipts	-	541 955
Conditions met - transferred to revenue	(601 339)	(129 810)
	1	**601 340**

Municipality of Dilbeeck, Belgium agreement to assist the with youth development, prevention services and environment development.

LG management support grant

Balance unspent at beginning of year	400 000	300 000
Current-year receipts	-	400 000
Conditions met - transferred to revenue	-	(300 000)
	400 000	**400 000**

To provide financial assistance to municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

Library grant

Balance unspent at beginning of year	582 489	313 039
Current-year receipts	4 831 000	1 353 376
Conditions met - transferred to revenue	(5 413 489)	(1 083 926)
	-	**582 489**

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through recapitalised programme at provincial level in support of local government and national initiatives.

Housing consumer education

Balance unspent at beginning of year	68 010	68 010

Conditions still to be met - remain liabilities. Refer to note 21.

Community development support grant

Balance unspent at beginning of year	31 354	18 600
Current-year receipts	52 463	49 200
Conditions met - transferred to revenue	(83 817)	(36 446)
	-	**31 354**

To provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators,

Figures in Rand	2015	Restated 2014

31. Government grants and subsidies (continued)

Municipal systems improvement grant

Balance unspent at beginning of year	755 539	543 178
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(1 689 539)	(677 639)
	-	**755 539**

To assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

Financial Management Grant

Current-year receipts	1 250 000	1 300 000
Conditions met - transferred to revenue	(1 250 000)	(1 300 000)
Other	-	-
	-	**-**

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

EPWP grant

Current-year receipts	1 544 000	1 760 000
Conditions met - transferred to revenue	(1 544 000)	(1 760 000)
	-	**-**

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:
- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure
- tourism and cultural industries
- waste management
- parks and beautification
- sustainable land-based livelihoods

32. Fines, penalties and forfeits

Traffic fines	59 778 467	70 988 023
Industrial affluent penalty	925	24 171
Other fines	81 495	115 811
	59 860 887	**71 128 005**

Figures in Rand	2015	Restated 2014

33. Employee related costs

Basic salaries	205 573 807	178 208 537
Pension fund contribution	31 445 706	28 694 289
Bonus	14 156 028	21 041 958
Medical aid - company contributions	15 303 307	13 880 533
UIF	1 572 591	1 508 829
Salary allowance	3 190	3 190
Cashiers allowance	6 228	5 524
Sundry allowance	1 961 739	2 046 114
Cellphone allowance	648 440	606 509
Severance packages	112 105	180 000
Travel, motor car, accommodation, subsistence and other allowances	348 955	421 940
Overtime payments	15 992 602	12 319 403
Uniforms	574 718	520 916
Acting allowances	1 252 322	1 006 892
Group insurance	3 753 250	3 596 252
Car allowance	10 224 273	9 600 216
Housing benefits and allowances	1 384 237	1 264 728
Standby allowance	7 135 861	6 061 057
Night shift allowance	2 242 774	1 852 238
Bargaining council	126 874	113 479
	313 819 007	**282 932 604**

Remuneration of Municipal Manager

Annual remuneration	1 123 387	987 268
Car allowance	72 000	72 000
Contributions to UIF, medical and pension funds	254 003	229 222
Telephone allowances	18 000	18 000
	1 467 390	**1 306 490**

Remuneration of Chief Finance Officer

Annual remuneration	1 200 048	1 098 744
Car allowance	130 556	112 500
Contributions to UIF, medical and pension funds	14 826	64 605
Leave	-	211 977
Telephone allowance	-	1 485
	1 345 430	**1 489 311**

Remuneration of the Director Human Settlements

Annual remuneration	393 142	-
Car allowance	70 000	-
Contributions to UIF, medical and pension funds	95 330	-
Telephone allowance	5 250	-
	563 722	**-**

Acting allowances paid to Acting Director Human Settlements	41 445	122 546

The Director of Human Settlements started working on the 1st of December 2014.

Remuneration of the Director Community & Protection Services

Figures in Rand	2015	Restated 2014

33. Employee related costs (continued)

Annual remuneration	843 812	790 691
Car allowance	66 000	66 000
Contributions to UIF, medical and pension funds	213 482	199 585
Leave	18 774	-
Telephone allowances	9 000	9 000
	1 151 068	**1 065 276**

Remuneration of the Director Strategic and Corporate Services

Annual remuneration	871 121	809 655
Car allowance	121 774	120 533
Contributions to UIF, medical and pension funds	214 286	199 109
Telephone allowances	9 000	9 000
	1 216 181	**1 138 297**

Remuneration of the Director Engineering Services

Annual remuneration	959 159	895 519
Car allowance	48 975	48 000
Contributions to UIF, medical and pension funds	198 248	185 245
Leave payout	112 118	-
Telephone allowances	9 000	9 000
	1 327 500	**1 137 764**

Remuneration of the Director Planning and Development Services

Annual remuneration	741 035	1 129 217
Car allowance	79 526	-
Contributions to UIF, medical and pension funds	9 612	13 243
Telephone allowances	4 670	9 000
	834 843	**1 151 460**

Acting Allowances paid to Acting Director(s) Planning and Development	35 903	-

The Director Planning and Development started working on the 1st of September 2014.

Figures in Rand	2015	Restated 2014

34. Remuneration of Councillors

Executive Mayor	552 637	521 318
Councillors	13 878 129	13 005 221
	14 430 766	**13 526 539**

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the council.

Executive Mayor	552 637	521 318
Deputy Mayor	442 088	417 034
Speaker	413 098	369 587
Chief whip	385 047	-
Mayoral committee	2 915 144	2 836 187
Councillors	4 919 509	4 607 431
Medical aid contributions	244 026	180 094
Pension fund contributions	256 551	448 884
Travelling allowances	3 407 922	3 250 050
Telephone allowances	894 744	895 954
	14 430 766	**13 526 539**

35. Contribution to/from provision

Cape joint pension	-	(766 204)
Landfill site	13 062 215	11 078 267
Constructive obligations	295 292	315 065
	13 357 507	**10 627 128**

36. Contribution to allowance for doubtful debt

Receivables from exchange allowance contribution	18 949 271	20 768 051
Receivables from non-exchange allowance contribution	53 831 191	(42 460 812)
	72 780 462	**(21 692 761)**

37. Contribution to employee benefit obligation

Post-retirement healthcare benefit liability	53 960 445	21 921 300
Long service award	4 135 000	3 766 393
Leave gratuity	5 118 081	4 141 648
	63 213 526	**29 829 341**

An actuarial gain on employee benefits of R 2 021 160 (2014: R 57 395 644) was disclosed in other income.

38. Depreciation and amortisation

Property, plant and equipment	148 567 043	137 632 317
Intangible assets	462 075	267 063
	149 029 118	**137 899 380**

Figures in Rand	2015	Restated 2014

39. Debt impairment

Electricity	51 264	141 874
Refuse	2 175 049	890 369
Sewerage	1 792 547	869 739
Water	5 917 170	5 820 395
Rates	678 123	696 090
Housing rental	4 804 171	4 092 827
Sundries	253 896	551 543
Traffic fines	(11 401 350)	77 530 181
Capital receivables	-	1 671 973
	4 270 870	**92 264 991**

Figures in Rand	2015	Restated 2014

40. Bulk purchases

Electricity	268 063 791	250 902 759
Water	19 280 240	18 194 658
	287 344 031	**269 097 417**

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town and Department of Water and Forestry.

41. Contracted services

Operating Leases: Buildings and Equipment	10 101 163	9 926 029
Specialist Services	6 498 907	3 806 304
Other Contractors	22 297 560	17 624 195
	38 897 630	**31 356 528**

42. Grants and subsidies paid

Grant-in-aid tourism	2 840 768	2 291 526
Grant-in-aid animal welfare	568 500	496 109
Grant-in-aid sundries	2 145 779	1 999 995
	5 555 047	**4 787 630**

Figures in Rand	2015	Restated 2014

43. General expenses

3G fixed cost	1 199	-
Advertising	3 135 479	1 965 204
Ammunition	-	5 690
Audit committee	212 101	247 088
Auditors remuneration	4 330 770	4 753 380
Bank charges	2 829 661	3 427 198
Membership fees	4 258 058	2 672 154
Bursaries	157 491	324 802
Cellphone cost	119 360	216 492
Professional fees	9 350 969	4 775 409
Corporate expenses	617 154	459 274
Land sales	362 071	-
Cleaning services	1 278 676	565 098
Disaster incidents/ relieve aid	3 386 047	657 136
Electricity consumption	7 049 572	4 919 318
Entertainment	486 429	78 641
Fuel and oil	10 845 214	10 798 551
Fumigation of buildings	148 204	378 276
Grant expenditure	1 975	-
Hosting of events	551 031	610 102
Housing top structure	2 863 699	40 712 586
Insurance	2 653 371	3 165 107
Internal audit fees	579 292	123 186
Internal consumption expenses	585 301	899 829
Internal Investigations	48 924	363 851
Investment administration	902 218	905 317
Legal cost	6 829 588	12 054 155
Licenses fees	4 554 459	4 924 826
Local economic development	869 085	671 012
Magazines, books and periodicals	240 459	210 560
Marketing	76 133	65 030
Nightshelter	490 729	399 816
Office refreshments	605 318	576 299
Other expenses	10 836 007	7 941 751
Postage and courier	1 314 019	1 058 128
Printing and stationery	3 022 911	2 608 996
Property only	1 095 836	1 269 713
Protective clothing	2 548 991	1 837 559
Radio operational cost	1 668 796	1 276 020
Recoverable cost	929 240	2 462 570
Recruiting and selecting	91 992	39 621
Refuse bins	3 165 621	-
Registration fees	14 850	425 216
Souvenirs	22 714	12 878
Staff wellness	1 103 473	1 130 378
Stores & material	1 977 332	1 799 908
Telephone cost	3 446 922	4 178 589
Training	6 124 605	4 591 835
Transfer & survey cost	58 728	82 711
Ward expenses	1 399 681	449 580
Workmans compensation	1 085 087	2 010 224
Workshops, functions & capacity	1 140 953	700 139
General expenses	111 467 795	135 801 203
Administration costs	(6 632 500)	(6 112 905)
	104 835 295	**129 688 298**

The comparative figures were restated. Refer to the prior period error note 58.

Figures in Rand	2015	Restated 2014

44. Cash generated from operations

Surplus	43 575 765	154 863 603
Adjustments for:		
Depreciation and amortisation	149 029 118	137 899 380
Profit on sale of assets and liabilities	(1 339 626)	(1 299 100)
Fair value adjustments	(16 606 845)	(394 946)
Impairment deficit	9 344 922	-
Debt impairment	4 270 870	92 264 991
Movements in operating lease assets and accruals	(1 032 939)	3 119 564
Movements in employee benefit obligation	52 279 339	(38 335 254)
Movements in provisions	7 807 652	3 904 341
GRAP 12 Inventory	(6 295 142)	319 327
Change in existing restoration costs	48 683	1 719 127
Changes in working capital:		
Inventories	443 286	(3 261 029)
Other receivables from exchange transactions	(3 327 879)	(26 368 319)
Consumer debtors	9 905 411	(105 037 258)
Other receivables from non-exchange transactions	6 072 740	(12 486 183)
Current portion of long term receivables	38 816	71 543
Payables from exchange transactions	51 365 817	11 032 366
VAT	(12 543 292)	(935 996)
Employee benefit obligation	(4 496 196)	6 347 960
Unspent conditional grants and receipts	3 339 137	(1 193 786)
Consumer deposits	1 045 429	748 851
	292 925 066	**222 979 182**

Figures in Rand	2015	Restated 2014

45. Financial assets by category

The financial assets of the municipality are classified as follows:

Financial assets at amortised cost

	2015	Restated 2014
Current Assets		
Cash and cash equivalents	609 430 080	504 928 066
Receivables from exchange transactions	73 321 307	87 497 588
Other receivables from exchange transactions	52 362 390	49 034 511
Receivables from non-exchange transactions	7 613 962	11 349 184
Current portion of long term receivables	38 408	77 224
Non-Current Assets		
Long term receivables	407 296	627 683
	743 173 443	**653 514 256**

46. Financial liabilities by category

The Financial Liabilities of the municipality are classified as follows:

Financial liabilities at amortised cost

	2015	Restated 2014
Current Liabilities		
Consumer deposits	12 488 198	11 442 769
Operating lease liability	2 412 120	3 445 059
Other financial liabilities	9 105 127	10 479 899
Payables from exchange transactions	182 204 658	130 838 840
Unspent conditional grants and receipts	37 079 744	33 740 607
Non-Current Liabilities		
Other financial liabilities	150 333 877	109 961 692
	393 623 724	**299 908 866**

47. Risk management

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Other financial liabilities disclosed in Note 18, Bank, Cash and Cash Equivalents and Equity in Note 3, comprising Funds, Reserves and Accumulated Surplus as disclosed in the Statement of Changes in Net Assets.

Financial risk management objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Current	Non-current
Consumer deposits	12 488 198	-
Operating lease liability	2 412 120	-
Other financial liabilities	9 105 127	150 333 877
Payables from exchange transactions	182 204 658	-
Unspent conditional grants and receipts	37 079 744	-

At 30 June 2014	Current	Non-current
Consumer deposits	11 442 769	-
Operating lease liability	3 445 059	-
Other financial liabilities	10 479 899	109 961 692
Payables from exchange transactions	130 838 840	-
Unspent conditional grants and receipts	33 740 607	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Figures in Rand	2015	Restated 2014

47. Risk management (continued)

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Figures in Rand	2015	Restated 2014

47. Risk management (continued)

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for Sasol who has large investments in the municipal area and does not pose any risk. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2015	2014
Current investment deposits	592 647 934	490 654 916
Receivables from exchange transactions	73 321 307	87 497 588
Other receivables from exchange transactions	52 362 390	49 034 511
Receivables from non exchange transactions	7 613 962	11 349 184

Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

48. Fair value adjustments

Investment property (Fair value model)	16 591 075	-
Gain arising from changes in fair value less costs to sell on biological assets	15 770	394 946
	16 606 845	**394 946**

49. Commitments

Authorised capital expenditure

Approved and Contracted for:		
• Infrastructure	422 176 308	54 732 012
• Community	-	2 913 809
• Other assets	14 183 810	-
	436 360 118	57 645 821

Total capital commitments		
Already contracted for	436 360 118	57 645 821

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

50. Contingencies

This matter involves a counter application on behalf of the municipality to be joined as co-applicant together with eThekwini Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant and the parties are in the process of exchanging pleadings. An interlocutory application brought by the National Minister of Finance and National Minister of Co-operative Governance and Traditional Affairs for the variation and/or rescission of a court order regarding the provisions of the record and for certain documents to be excluded from the record was set down and heard on 4 August 2014 and judgement has been delivered and the parties are now in the process of preparing supplementary papers. This matter does not involve any amounts claimed. Estimated cost of financial exposure is R 250 000 (legal costs and disbursements).

This matter relates to an application in terms of the National Environmental Management Act 107 of 1998 to have a directive issued against the Municipality, which has now been partly concluded and only legal costs and disbursements for which the Municipality may be liable for have been taxed. This has not been done for the past 5 years. This matter does not involve any amounts claimed. Estimated cost of financial exposure is R 200 000 (legal costs and disbursements).

This matter involves 3 claims against the Municipality for payment for services rendered. The amounts claimed are the following: Invoice 544: R 187 553.50; Invoice 547: R 132 553.50; Invoice 553: R 139 273.30; plus interest on the amounts claimed at 15.5% per annum *tempore morae*. Summons was served on 13 August 2013 and the Municipality opposed the matter. The Plaintiff brought an application for Summary Judgement which application has been successfully opposed by the Municipality. Pleadings have now closed. Estimated cost of financial exposure is R 150 000.

This matter involves an application for the review and setting aside of a decision by the Council on 23 April 2014 not to proceed with the disposal of erf 194 Stellenbosch to Wuperthal Property Developments (Pty) Ltd. The Municipality has opposed the application and the parties are in the process of conducting settlement negotiations. This matter does not involve any amounts claimed. Estimated cost of financial exposure is R 350 000 (legal costs and disbursements).

Three directors resigned in 2010 and challenged the Municipality pursuant thereafter. This matter is finalised. The Municipality obtained a cost order against three(3) directors. One of the respondents paid pro-rata share and one of the respondents is paying pro-rata share off monthly. The third respondent is refusing to pay and waiting on instruction from Stellenbosch Municipality to sell immovable property. Estimated cost of financial exposure is R 5000.

This matter involves a review application of the La Motte/ forensic report and is still pending. The application to have the allocation of property declared unlawful is being finalised. Estimated cost of financial exposure is R 100 000.

This matter involves a monetary claim against the Municipality by the former Speaker, Herman Pheiffer. This matter is still pending and the attorneys were in the process of obtaining a court date. Estimated cost of exposure is R 50 000.

This matter involves a high court application by Agillis Petrus Davids for the provision of alternative accommodation. This matter was recently settled. Estimated cost of financial exposure is R 30 000.

This matter involves an interdict application against Cameron Mcako & Others against the illegal invasion of municipal immovable property. This matter was finalized on 02 May 2015 in the High Court of South Africa, Cape Town. Estimated cost of financial exposure is R 300 000.

Application interdicting and restraining the TFD Trust from accommodating additional persons or operating an accommodation establishment, more specifically student accommodation, in contravention of the Stellenbosch Zoning Scheme Regulations on residential property. This matter is still pending. Estimated cost of financial exposure is R 150 000.

Application interdicting and restraining the Award 4 Trading PTY LTD from accommodating additional persons or operating an accommodation establishment, more specifically student accommodation, in contravention of the Stellenbosch Zoning Scheme Regulations on residential property. This matter is still pending. Estimated cost of financial exposure is R 150 000.

Application for the eviction of Ms Samuels from municipal land, which she occupies illegally. Instructions to pend. The matter does not involve any amounts claimed.

50. Contingencies (continued)

This matter involves the demolition application for illegal building erected by P van der Rheede over the municipal sewer pipeline. This matter is still pending. Estimated cost of financial exposure is R 40 000.

This matter involves the demolition application for illegal buildings built by Mervin Hoffman and Marinda Hoffman. This matter is still pending. Estimated cost of financial exposure R 150 000.

This matter involves an eviction application with Dillon Carelse and is still pending. Estimated cost of financial exposure is R 40 000.

The matter involves defending a claim for damages suffered due to the construction of a sewer line over claimant's property and compensation for the servitude registered over the property. Estimated cost of financial exposure is R300 000.

Claim for property rate rebates afforded to senior citizens per income group. Mr Minkowitsch alleges discrimination by Stellenbosch Municipality against non-South African citizens and requires compensation in the amount of R 11 827.50 as well as the amendment of the applicable policy. Estimated cost of financial exposure is R 50 000.

An urgent eviction application was instituted by Stellenbosch Municipality to have the occupiers of the landfill site evicted due to an underground fire. The urgent eviction order was granted and a substantial eviction application was submitted pursuant thereto. The substantial eviction application is still pending. Estimated cost of financial exposure is R 100 000.

An amount of R160 073.43 was levied for interest and penalties by the Compensation Fund for periods before 2012. The amount represents interest and penalties levied for late payments. The municipality did not pay the interest and penalties because based on the available information; the municipality received the return of earnings late from the Compensation Fund. The municipality has requested the remittance of the interest and penalties in January 2015, but as at reporting date, the municipality did not receive a response from the Compensation Fund. It is the municipality’s view that if we did not receive the return of earnings late, the payments would not have been affected after the due dates and no interest and penalties would have been charged. As we have not received a response from the Compensation Fund, we are unable to determine the amount of interest and penalties payable, if any.

The municipality has concluded a comprehensive job evaluation process during the 2014/15 financial year. A maintenance process has commenced and it is envisaged that the process will be completed by December 2015. It is impossible to quantify the financial effect.

51. Related parties

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in a note to the annual financial statements.

Compensation of related parties

Compensation of key management personnel and councillors is set out in notes 33 and 34 respectively, to the annual financial statements.

Awards to close family members of persons in the service of the state:

Aurecon South Africa (Pty) Ltd

The appointment of consulting engineers for professional civil engineering services for various projects, to the value of R 10 784 856

Spouses, Child or Parent	State Department
JJ Saaiman	Armscor: Quality Manager; Parent
G Saaiman	Auditor-General Kimberley: Junior Manager; Son
RG Madikizela	Auditor-General South Africa: Assistant Manager; Brother
WZ Erasmus	Cape Nature: Program Manager; Spouse
Cr BJ Kriegler	Cape Winelands District Municipality & Breede Valley Municipality: Western Cape - Councillor; Parent
N Grobbelaar	Central University of Technology: Department Civil Engineer - Programme Manager; Spouse
S Seegers	City of Cape Town: Head of Security Architecture; Sister
PC Vermeulen	City of Cape Town: Superintendent - Building Maintenance; Parent
CJ Barry	City of Cape Town: Transport Department - Transport, Roads and Stormwater: Head - Finance; Parent
J Wilkens	Correctional Service: Vice Director - Provincial; Parent
B Alheit	Denel Dynamics: Executive Manager - Business Development; Parent
J Scheepers	Council for Medical Schemes: Chief Financial Analyst; Spouse
A Hougaard	Department of Correctional Services: Principle Network Controller; Spouse
M Marques	Department of Home Affairs: Deputy Director; Spouse
JL Nel	Department of International Relations & Cooperation - Diplomat; Parent
N Towers	Department of Mineral Resources: Inspectorate of Mines - Health and Safety Western Cape Region; Parent
J Blackmore	Department of Public Works: Project Manager; Parent
AJ Moore	Department of Water Affairs: Chief Engineer; Parent
J Tredoux	Department of Water Affairs: Deputy Director - Accounts Payable; Spouse

51. Related parties (continued)

Cr CP Herbst	Dr Ruth S Mompati District Municipality: North West - Councillor; Parent
RT Mehlala	Eastern Cape Arts and Culture Council: Chief Audit Executive Officer; Parent
J Jacobs	Eastern Cape Department of Education; Personal Assistant to Chief Director; Spouse
ZC Venter	Eastern Cape Department of Health: Deputy Director - Employment Relations; Spouse
R Tebane	Ekurhuleni Metropolitan Municipality: Executive Manager; Parent
JM Robertson	Ekurhuleni Metropolitan Municipality: Roads Engineer; Parent
ZE Khosa	Ekurhuleni Metropolitan Municipality: Technician; Brother
M van Rensburg	Eskom: Executive at Transmission Department; Father-in-Law
R Nair	eThekwini Municipality: Building Inspector; Parent
CMM Barnard	Gauteng Department of Education: Deputy Principal; Spouse
B Kleynhans	Hessequa Municipality: Accountant; Parent
NS Wolmarens	IDC: Senior Accounts Manager; Spouse
SW Zulu	KwaZulu Natal Department of Health: Human Resource Manager; Parent
L Pillay	KwaZulu Natal Department of Transport: Deputy Director - Mechanical Maintenance Division; Parent
T Kholoanyane	Naledi Local Municipality: Free State - Tourism Manager; Parent
K Nadasen	National Department of Public Works: Director - Key Account Management
J Theron	Nelson Mandela Bay Metropolitan University: Head - Graduate School Relations; Spouse
Dr M Skeed	Nelson Mandela Bay Metropolitan University: Senior Manager - Staff Development; Spouse
Dr Y Goga	Nkosi Albert Luthuli Hospital: Senior Specialist - Paediatric Haematology; Sister
F Tialang	North West Department of Education: Quality Assurance; Sister
GJ Tong	North West Department of Finance: Deputy Director; Parent
EM Schon	Northern Cape Department of Cooperative Governance: Human Settlements and Traditional Affairs - Assistant Manager; Spouse
SM Grobbelaar	Northern Cape Department of Cooperative Governance: Human Settlements and Traditional Affairs - Town and Regional Planner; Parent
JF Phillips	Northern Cape Department of Economic Development and Tourism: Manager - Township Revitalisation; Spouse
T Botha	Oudtshoorn Municipality: Technical Manager; Parent
JH Higgs	SARS: Regional Manager; Spouse

51. Related parties (continued)

PS Pretorius	Sol Plaatjie Municipality: Chief Officer - Community Services; Parent
SM O'Connell	Sol Plaatjie Municipality: Librarian; Spouse
K Thamaga	South African Defence Force: State Accountant; Brother
MC Dunga	South African Navy: Engineer in Training; Spouse
HC Ahlschlager	Special Investigating Unit: Legal Representative; Spouse
A Heyns	Stellenbosch Municipality: Assistant Superintendent - Workshop Engineering Department; Parent
R Meyer	Telkom SA: Project Manager; Parent
N Geldenhuys	Transnet Port Terminals: Mechatronic Engineer; Son
Cr B Groenewald	Twaing Municipality: North West - Councillor; Parent
T Govender	Umgeni Water: Fleet Maintenance Administrator - Asset Management; Daughter
A Treurnich	Umjindi Municipality: Community Services - Assistant Director; Spouse
Prof CJG Bender	University of Johannesburg: Professor; Spouse
Cr JJJ Daniels	West Coast District Municipality: Deputy Mayor; Parent
HG Esterhuysen	West Coast District Municipality: Senior Manager - Roads; Parent

Ithuba Industries

The supply and delivery of goods and material under annual tenders (water services department), to the value of R 354 746.

Spouses, Child or Parent	State Department
Ms. De Morney	Western Cape Department of Education

Figures in Rand	2015	Restated 2014

51. Related parties (continued)

ARB Electrical Wholesalers (Pty) Ltd

The supply and delivery of goods and material under the annual tender: electrical to the value of R 128 238.

Spouses, Child or Parent	State Department
Jacob Modise	ESKOM Holdings: Non executive director and Road Accident Fund (CEO)

Kemanzi (Pty) Ltd

Supply of water treatment chemicals and application expertise to the value of R 35 047.

Spouses, Child or Parent	State Department
J N Du Toit	Department of local government

Clints Chaffeur Drive

Transport services to the value of R 23 100.

Spouses, Child or Parent	State Department
Ms. V Swartz	Stellenbosch Municipality: LED Official

ELT B Construction

Repair and maintenance Building works, to the value of R 22 380.

Spouses, Child or Parent	State Department
Lorelle Yvette Adams	Stellenbosch Municipality_Support Assistant : Property Management

Exeo Khokela Civil

Civil Engineering construction services to the value of R 3 338 876.

Spouses, Child or Parent	State Department
T Meyer	Education department

Angra Tours

Transportation services to the value of R24 000.

Spouses, Child or Parent	State Department
Zelda Louise Cloete	Stellenbosch Municipality _Clerk : Enquiry and Client liason

Red Hills Electronics

Supply, install and commissioning of CCTV Networks at various areas in Stellenbosch, to the value of R 1 151 218.

Spouses, Child or Parent	State Department
Mr E Hartley	Department of Education

Milhon HVAC

Repairs and replacements on air conditioners, to the value of R 149 114.

Spouses, Child or Parent	State Department
Ms J Sampson	Stellenbosch Municipality: SCM Practioner

GVG Buildings

Figures in Rand	2015	Restated 2014

51. Related parties (continued)

The rendering of civil works: annual tender to the value of R 563 120.

Spouses, Child or Parent	State Department
M M Gertse	Department: Rural development and land reform

Blue Vidas

Cleaning and hygiene services to the value of R 174 700.

Spouses, Child or Parent	State Department
Harold Richard Davids	Stellenbosch Municipality_Technician Development: Services and Project Management

Helderberg Business

Copier repairs and maintenance to the value of R 7 940.

Spouses, Child or Parent	State Department
Nicoli Hichert	Department of Agriculture

Adenco Construction

Electrical engineering construction services to the value of R 1 062 249.

Spouses, Child or Parent	State Department
DCC Jackson Adelle Kassner	Department of Health

Rhonde bros steel pro

Steel manufacturing services to the value of R 276 967.

Spouses, Child or Parent	State Department
Dan Rhode	Other government departments

FGA Van Den Heever

Installation of cupboards to the value of R 42 485.

Spouses, Child or Parent	State Department
Pamela van den Heever	Education department

Silversolutions 1765

Accounting and business consultants to the value of R 7 500.

Spouses, Child or Parent	State Department
Dorothy Simpson	Education department

Element Consulting

Engineering services to the value of R 852 342.

Spouses, Child or Parent	State Department
Mrs S Pienaar	Department of local government

PD Naidoo and Associates

Engineering services to the value of R 1 695 690.

Figures in Rand	2015	Restated 2014

51. Related parties (continued)

Spouses, Child or Parent	State Department
Emma Liesl Siberagl	Other government departments

JLM 24 Service

Entertainment to the value of R 3 898.

Spouses, Child or Parent	State Department
Wife	Education department

Mpumamanzi group cc

Water related services to the value of R 82 489.

Spouses, Child or Parent	State Department
Erna Bouwers	Department of Health

Procore Protection

Security services to the value of R 483 168.

Spouses, Child or Parent	State Department
M De Vries	Department of local government

Smec South Africa (PTY) Ltd

Consulting services to the value of R 118 560.

Spouses, Child or Parent	State Department
Yvonne Phosa	Department of the premier

Purple rose distributors

Repair and maintenance to fleet to the value of R 110 802.

Spouses, Child or Parent	State Department
Charlotte Hector	Education department

Chipit (Pty) Ltd

Supply of office furniture to the value of R 295 050.

Spouses, Child or Parent	State Department
Charles Ford	Other government departments

Altimax (Pty) Ltd

Consultants and advisors to the value of R 140 088.

Spouses, Child or Parent	State Department
Isak Dirk Joubert	Education department

LCC Tuindienste

Garden services to the value of R24 000.

Spouses, Child or Parent	State Department
Daughter	Department of social development

Figures in Rand	2015	Restated 2014

52. Events after the reporting date

Resignation of Municipal Manager

In October 2015, Mrs EC Liebenberg resigned as Municipal Manager of Stellenbosch Municipality. Mrs Liebenberg will receive a severance benefit equal to two months remuneration.

53. Unauthorised expenditure

	2015	Restated 2014
Civil Engineering Services	49 806 155	32 294 361
Community and Protection Services	-	25 898 883
	49 806 155	**58 193 244**

Overspending on non-cash items namely Depreciation, Debt Impairment and Contributions to Provisions contributed to the overspending per vote for the year under review. These line items were budgeted for but expenditure was more than anticipated, this does not constitute physical outflows of cash but is deemed unauthorised in terms of National Treasury MFMA Circular no 68: Unauthorised, Irregular, Fruitless and Wasteful Expenditure dated 10 May 2013.

Unauthorised expenditure was restated in the comparative year due the correction of prior period errors.

54. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure for the year under review.

55. Irregular expenditure

	2015	Restated 2014
Opening balance	14 729 997	12 984 298
Non-compliance with SCM Regulation S36(1)(a)(i)	278 224	2 683 195
Non-compliance with to S66(3) of the Municipal Systems Act	-	296 793
Less: Amounts written off in terms of the MFMA S32(2)(b)	(14 545 679)	(1 234 289)
	462 542	**14 729 997**

Irregular expenditure was restated in the comparative year due to expenditure being incorrectly classified as irregular in the prior period.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2015	Restated 2014
Opening balance	-	370 638
Council subscriptions	4 165 018	2 338 038
Amount paid - current year	(3 849 701)	(2 708 676)
Balance Unpaid (included in Creditors)	**315 317**	**-**

Figures in Rand	2015	Restated 2014

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

	2015	Restated 2014
Current year Audit Fee	4 330 770	4 753 380
Amount paid - current year	(4 330 770)	(4 753 380)
Balance Unpaid (included in Creditors)	**-**	**-**

VAT

	2015	Restated 2014
VAT receivable	13 329 317	786 025

All VAT returns have been submitted by the due date throughout the year.

The total VAT paid for the year amounts to R 18 640 424 (2014: R 10 757 458).

The comparative figures were restated. Refer to the prior period error Note 58.

PAYE and UIF

	2015	Restated 2014
Current year Payroll Deductions	(45 227 894)	(38 483 553)
Amount paid - current year	45 227 894	38 483 553
Balance Unpaid (included in Creditors)	**-**	**-**

Pension and Medical Aid Deductions

	2015	Restated 2014
Current year Payroll Deductions and Council Contributions	83 909 793	75 549 513
Amount paid - current year	(83 909 793)	(75 549 513)
Balance Unpaid (included in Creditors)	**-**	**-**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

30 June 2015	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Maree EL	30	4 092	4 122

The following councillors had arrear accounts for more than 90 days during the year:

Maree EL

Gugushe KM

Ngcofe MM

Sidego C

Figures in Rand	2015	Restated 2014

56. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Ngcofe MM	81	47	128
Maree EL	30	4 052	4 082
Mananga-Gugushe N	863	33	896
	974	**4 132**	**5 106**

Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review:

Distribution Losses	Electricity (KWH)	Water (KL)
Purchases	385 902 402	14 571 421
Sales	(357 248 263)	(12 442 644)
Distribution loss	**28 654 139**	**2 128 777**

Electricity losses are calculated as 7.43% . Electricity losses is within the industry norms.

Figures in Rand	2015	Restated 2014

57. Multi-employer retirement benefit information

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Pension Fund and the South African Municipal Workers Union National Provident Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.

(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of **R 31.6 million** (2014: **R 29.1 million**) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement funds have been valued by making use of the discounted cash flow method of valuation.

DEFINED BENEFIT SCHEMES

SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2014 revealed that the assets of the fund amounted to R 12 658 200 000 (30 June 2013 : R 10 439 200 000), with funding levels of 100% (30 June 201 3: 100%). The highest contribution rate paid by the members was 9% and by Council 19.18%.

It is the actuary's opinion that:
- They are satisfied with the investment strategy of the Fund;
- the nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the Fund;
- the matching of assets with the liabilities of the Fund is adequate; and
- the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

Figures in Rand	2015	Restated 2014

57. Multi-employer retirement benefit information (continued)
Cape Joint Pension Fund

The Cape Joint Pension Fund is a multi employer plan and the contribution rate payable is 27%, 9% by the members and 23.06% by Council, effective from 01 February 2012. The actuarial valuation report at 30 June 2014 disclosed an actuarial valuation amounting to R3 631 518 000 (30 June 2013: R 3 226 863 000), with a nett accumulated surplus of R23 343 000 (2013: R10 030 000(deficit)), with a funding level of 104.4% (30 June 2013: 99.7%) The current contribution rate of the Council is sufficient to meet the current cost of earning benefits. The rate is said to be reviewed after the next actuarial valuation as at 30 June 2015.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund

This scheme was established to accommodate the unique characteristics of contract employees and "cost to company" employees. All existing members were given the option to transfer to the defined contribution plan before 1 July 2003. The actuary report certified that the structure of the assets is appropriate relative to the nature of the liabilities, assuming a smoothed bonus philosophy, and given normal circumstances.

The actuarial valuation report at 30 June 2014 indicated that the defined contribution scheme of the fund is in a sound financial position, with an assets amounting to R 566 689 000 (30 June 2013 : R 483 618 000), net investment reserve of R 0 (30 June 2013 : R 787 000) and a funding level of 100% (2012 : 99.8%).

The actuary concluded that:

The Pensioner Account has a surplus of R 127.3 million and a funding level of 106.2%. The surplus in the Pensioner Account at the valuation date is sufficient to increase the pension increase target from 60% to 70% of price inflation. However, caution is advisable given lower investment returns after the valuation date.

The balance of the DB Section for DB active members has a surplus of R 23.3 million and a funding level of 101.7%.

The DC Section has a funding level of 100.0% and no surplus.

There is a future service contribution rate shortfall of 8.98% of salary in respect of 32 remaining DB active members after the transfer of DB active members to the DC Section.

The Trustees granted a pension increase of 5% effective 1 January 2015 and a bonus of 50% of monthly pension payable in December 2014. Pro-rata pension increases and bonus apply for pensions in payment for less than one year. The pension increase and bonus are affordable given the healthy funding level of the Pensioner Account and the excellent investment returns achieved over the last three years.

The actuary certified that the Fund is in a sound financial condition as at 30 June 2014, the nature of the assets is suitable for the Fund and the Fund’s investment strategy is suitable, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this asset class. Furthermore the assets are appropriately matched relative to the term and nature of the liabilities and the risk benefits for the remaining active members of the DB Section are partially re-insured. This may result in volatile death benefit experience for the Fund. It would be more appropriate to re-insure the full value of these death benefits. Finally the risk benefits of the DC Section are fully re-insured and this is appropriate for the size and nature of the Fund.

Cape Joint Retirement Fund

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R 17 172 854 000 (30 June 2013 : R 13 607 813 000), with funding levels of 112.6% and 99.9% (30 June 2013 100.2% and 105.1%) for the Share Account and the Pensions Account respectively. The Presevation Pension Account showed a surplus of R 0 and was 100% funded for both 2014 & 2013. The contribution rate paid by the members (7,50%/9%) and the municipalities (19,50%/18%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

57. Multi-employer retirement benefit information (continued)
Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R 1 183 539 452 (30 June 2009 : R 1 123 672 020), with funding levels of 100% (30 June 2009 : 100%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the Fund has a funding level of 99.5% as at the 30 June 2012 and is therefore technically not financially sound. However they regarded the deficit of R 6 407 706 made as relatively insignificant in the context of the Fund.

South African Municipal Workers Union National Provident Fund

The SAMWU National Provident Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. The statutory valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2 455 947 000 (30 June 2005 : R 1 511 461 000), with funding levels of 100% (30 June 2005: 100%). The investment smoothing reserve has increased from 1.2% of the market value of assets (or 1.25% of members' Fund Credits) at the previous valuation date to 4.6% of the market value of assets (or 5.5% of members' Fund Credits) at the current valuation date. The actuary certified that based on the 2011 valuation the Fund's assets are sufficient to cover the members' Fund Credits and Risk Benefits Reserve and to provide for an investment smoothing reserve of 5.5% of members' Fund Credits as at 30 June 2011. In addition, there is a substantial surplus of some R 413 million. The Fund is therefore in a very sound financial position.

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The statutory valuation performed as at 30 June 2014 revealed that the assets of the fund amounted to R 9 031 759 000 (30 June 2013 : R 6 981 450 000), with funding levels of 100.10% (30 June 2013: 99.97%). The actuary certified that the assets of the fund are sufficient to cover 100.10% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Figures in Rand	2015	Restated 2014

58. Prior period errors

Statement of Financial Position

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Assets				
Current Assets				
Cash and cash equivalents	504 928 066	-	-	504 928 066
Inventories	8 993 671	7 377 438	-	16 371 109
Receivables from exchange transactions (previously consumer debtors)	95 834 489	(21 027 138)	(12 690 237)	87 497 588
Other receivables from exchange transactions	28 328 595	20 050 179	(655 737)	49 034 511
VAT receivable	10 345 466	3 130 796	12 690 237	786 025
Receivables from non-exchange transactions	57 385 902	10 963 964	(202 561)	68 552 427
Current portion of long term receivables	269 413	(192 189)	-	77 224
	706 085 602	**20 303 050**	**(858 298)**	**727 246 950**
Non-Current Assets				
Biological assets that form part of an agricultural activity	10 808 106	-	-	10 808 106
Investment property	548 042 825	(8 700 000)	-	539 342 825
Property, plant and equipment	4 141 661 183	(52 160 224)	-	4 089 500 959
Intangible assets	3 228 228	-	-	3 228 228
Heritage assets	724 002	-	-	724 002
Long term receivables	1 690 780	(1 063 097)	-	627 683
	4 706 155 124	**(61 923 321)**	**-**	**4 644 231 803**
Total Assets	**5 412 240 726**	**(41 620 271)**	**(858 298)**	**5 371 478 753**
Liabilities				
Current Liabilities				
Consumer deposits	11 442 769	-	-	11 442 769
Employee benefit obligations	7 959 000	18 973 053	(8 700 065)	35 632 118
Operating lease liability	310 499	3 134 560	-	3 445 059
Other financial liabilities	10 479 899	-	-	10 479 899
Provisions	16 814 030	640 619	-	17 454 649
Payables from exchange transactions	154 576 996	(16 195 001)	7 543 155	130 838 840
Unspent conditional grants and receipts	37 656 020	(3 616 801)	298 612	33 740 607
	239 239 213	**2 936 430**	**(858 298)**	**243 033 941**
Non-Current Liabilities				
Employee benefit obligations	141 794 000	-	-	141 794 000
Other financial liabilities	109 961 692	-	-	109 961 692
Provisions	51 427 973	9 034 775	-	60 462 748
	303 183 665	**9 034 775**	**-**	**312 218 440**
Total Liabilities	**542 422 878**	**11 971 205**	**(858 298)**	**555 252 381**
Net Assets	**4 869 817 848**	**(53 591 476)**	**-**	**4 816 226 372**

Figures in Rand			2015	Restated 2014

58. Prior period errors (continued)

Net Assets				
Reserves				
Revaluation reserve	979 984 029	(19 313 002)	-	960 671 027
Accumulated surplus	3 889 833 819	(34 278 474)	-	3 855 555 345
Total Net Assets	**4 869 817 848**	**(53 591 476)**	**-**	**4 816 226 372**

Corrections of Errors and Changes in Accounting Policy

Inventory

Land inventory which was not previously recognised was accounted for in the opening balance of the comparative figure amounting to R 7 377 438.

Receivables from exchange transactions (previously consumer debtors)

The VAT on trade receivables were reclassified from the VAT account to the amount of R12 690 237 and the VAT liability of gross receivables was impaired on the same basis of the debtors.

The allowance for debt impairment had a calculation error in the prior period and was understated with R 21 027 138 inclusive of VAT.

Other receivables from exchange transactions

The income estimate transaction previously recorded did not include the correct billing periods. Revenue and other receivables increased with R22 820 147.

The income estimate transaction previously recorded did not include the correct billing done in advance. Revenue and other receivables decreased with R 79 954.

The income estimate transaction for traffic fines had a calculation error. Revenue and other receivables decreased with R 648 695.

The compensation fund had a calculation error resulting in the decrease of other receivables by R 2 041 319.

Payables from exchange transactions with debit balances were reclassified to other receivables from exchange transactions amounting to R 655 737.

VAT Receivable

VAT receivable decreased due to adjustments of prior period accrued income and accrued expenditure to the amount of R 344 412.

VAT receivable increased due to adjustments on the prior period allowance for debt impairment calculation to the amount of R 3 475 208.

The VAT on the debtors to the amount of R12 690 237 was reclassified from the VAT account and the VAT liability of gross receivables and was impaired on the same basis of the debtors.

Receivables from non-exchange transactions

Receivables from non-exchange transactions were restated as a result of a capital debtor being raised for the claim submitted to Eskom to the amount of R4 763 000 for expenses incurred in the area of service in the preceding financial year.

The allowance for debt impairment had a calculation error and was understated with R 178 973. The movement in the allowance for debt impairment in the statement of financial performance increased with R 178 973.

Figures in Rand	2015	Restated 2014

58. Prior period errors (continued)

Receivables due at year end were erroneously mapped to payables from exchange transaction to the amount of R 202 561.

The impairment of traffic fines in the statement of financial performance had a calculation error and was understated with R 19 639 801.
The calculation of traffic fine revenue in the statement of financial performance had a calculation error and was understated with R 15 949 317.

The impairment of traffic fines in the opening balance of the comparative figure had calculation errors resulting in the understatement of accumulated surplus of R 9 421 721.

An overpayment of R 290 754 to a councillor in the prior period resulted in a debtor to be raised. The remuneration of councillors in the statement of financial performance decreased with R 290 754.

Long term receivables

No allowance for doubtful debt was recorded in the prior period for long term receivables. This resulted in a prior period error of R 1 255 286 of which the current portion is R 192 189 and the non-current portion is R 1 063 097.

Investment property

Investment property amounting to R 8 700 000 was restated due to the valuation on investment property being incorrectly applied on the main asset, ignoring any additions and or improvements on said main assets.

Property Plant and Equipment

Property, Plant and Equipment were restated as a result of incorrect accounting of the proceeds from sale on auction in the prior period. The error resulted in the decrease of other asset by R 87 059.

Public open space not previously accounted for was taken on in the asset register. The value of the public open space amounted to R 932 500.

A vehicle sold in the prior period was not collected after auction. The sale transaction was reversed and the vehicle brought back onto the asset register at the amount of R 33 698.

No depreciation was previously accounted for on the capital restoration assets resulting in the understatement of accumulated depreciation of R 3 205 023.

Assets which have been completed and unbundled for the 2013-2014 and 2014-2015 financial year were added to the fixed asset register. In addition data integrity and cleansing of the asset register was performed. This process resulted in the overstatement of assets by R 14 006 052. Depreciation was also restated due to buildings carried on the revaluation model, not being depreciated previously. The data integrity and cleansing of the asset register resulted in additional depreciation of R 7 392 485.

The revaluation on land and buildings were incorrectly applied on the main asset, ignoring any additions and or improvements on said main assets. The additions and improvements were not always classified in line with the main asset. This resulted in a decrease in assets amounting to R 28 435 802.

Employee benefit obligation

The bonus accrual of R 8 175 230 and leave gratuity of R 10 797 823 was not previously recognised as employee benefits.

The salary control account amounting to R 8 700 065 previously classified as payables from exchange was reclassified as employee benefits.

Operating Lease Liability

58. Prior period errors (continued)

The municipality did not account for an operating lease liability due to the total amount in terms of the lease agreement received at inception of the lease. The movement in the statement of financial performance and statement of financial position amounted to R482 240 and R3 134 560 respectively.

Provisions

The municipality did not account for the provision for clearing of alien vegetation from the areas under the jurisdiction of the municipality. The contribution to provision through the statement of financial performance amounted to R9 675 394. The current portion amounted to R 640 619 and the non-current portion to R 9 034 775.

Payables from exchange transactions

The correction and reversal of accruals resulted in prior period corrections to the amount of R 1 942 675.

The bonus accrual of R 8 175 230 and leave gratuity of R 10 797 823 was recognised as employee benefits in the restated annual financial statements.

Payables from exchange transactions with debit balances were reclassified to other receivables from exchange transactions amounting to R 655 737.

Receivables due at year end were erroneously classified as payables from exchange transaction to the amount of R 202 561.

Donations received in prior years were not correctly classified with GRAP 23 implementation. Trade payables increased by an amount of R 298 612.

Correct allocation of expenditure in the prior period to the amount of R 835 375.

The salary control account amounting to R 8 700 065 previously classified as payables from exchange was reclassified as employee benefits.

Unspent conditional grants and receipts

Donations received in prior years were not correctly classified with GRAP 23 implementation. Trade payables increased by an amount of R 298 612.

An operating lease transaction was previously erroneously accounted for in unspent conditional grants and receipts. The gross error amounted to R 3 616 801.

Revaluation reserve

The municipality did not correctly account for the revaluation surplus that must be realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. The depreciation amount that went through the statement of financial performance was R 1 411 570.

The revaluation on land and buildings were incorrectly applied on the main asset, ignoring any additions and or improvements on said main assets. This resulted in an error of R 17 901 432.

Accumulated surplus

Accumulated surplus was restated to account for corrections on assets and liabilities.
The prior period error pertaining to the opening balance of the comparative amounts to R(38 622 678).
The prior period error pertaining to the 2014 year of assessment amounts to R 4 344 204.

58. Prior period errors (continued)
Statement of Financial Performance

	Audited	Prior year adjustments	Reclassifying adjustments	Restated
Revenue				
Revenue from exchange transactions				
Service charges	580 029 416	23 640 892	-	603 670 308
Rental of facilities and equipment	14 965 525	402 486	-	15 368 011
Interest earned - outstanding debtors	4 783 031	-	(103 898)	4 886 929
Agency services	1 844 011	-	-	1 844 011
Licences and permits	5 900 900	-	-	5 900 900
Other income	78 411 713	99 306	(14 465)	78 525 484
Interest received - investment	30 921 497	(192 176)	871 518	29 857 803
Total revenue from exchange transactions	**716 856 093**	**23 950 508**	**753 155**	**740 053 446**
Revenue from non-exchange transactions				
Taxation revenue				
Property rates	233 568 029	-	-	233 568 029
Property rates - penalties imposed	2 364 887	-	-	2 364 887
Transfer revenue				
Government grants & subsidies	149 453 557	4 178 070	14 465	153 617 162
Fines, penalties and forfeits	55 827 383	15 300 622	-	71 128 005
Total revenue from non-exchange transactions	**441 213 856**	**19 478 692**	**14 465**	**460 678 083**
Total revenue	**1 158 069 949**	**43 429 200**	**767 620**	**1 200 731 529**
Expenditure				
Employee related costs	(271 495 096)	(11 437 508)	-	(282 932 604)
Remuneration of councillors	(13 817 294)	290 755	-	(13 526 539)
Contribution to/from provisions	3 941 425	(14 253 488)	315 065	(10 627 128)
Depreciation and amortisation	(128 493 536)	(9 405 844)	-	(137 899 380)
Finance costs	(11 342 543)	-	-	(11 342 543)
Debt impairment	(79 584 777)	(12 680 214)	-	(92 264 991)
Collection costs	(919 604)	-	-	(919 604)
Repairs and maintenance	(65 078 951)	10 071 569	-	(55 007 382)
Bulk purchases	(269 097 417)	-	-	(269 097 417)
Contracted services	(9 573 394)	(352 635)	21 430 499	(31 356 528)
Grants and subsidies paid	(5 803 720)	671 012	(345 078)	(4 787 630)
General Expenses	(155 016 779)	(4 976 205)	(22 168 106)	(137 824 878)
Total expenditure	**(1 006 281 686)**	**(42 072 558)**	**(767 620)**	**(1 047 586 624)**
Operating surplus	**151 788 263**	**1 356 642**	**-**	**153 144 905**
Loss on disposal of assets	1 104 403	1 239	-	1 105 642
Fair value adjustments	394 946	-	-	394 946
Gain on biological assets and agricultural produce	193 458	-	-	193 458
Inventories: (Write-down)/reversal of write-down to net realisable value	24 652	-	-	24 652
	1 717 459	**1 239**	**-**	**1 718 698**
Surplus for the year	**153 505 722**	**1 357 881**	**-**	**154 863 603**

58. Prior period errors (continued)
Corrections of errors and Changes in Accounting Policy

Service charges

The income estimate transaction previously recorded did not include the correct billing periods. Revenue and other receivables increased with R 23 640 892.

Rental of facilities and equipment

Correction of the allocation of parking revenue in term of the operating lease agreement to the amount of R 482 240.

The income estimate transaction previously recorded did not include the correct billing done in advance. Revenue and other receivables decreased with R 79 954.

Interest earned outstanding debtors

The interest on long term receivables to the amount of R 103 989 were incorrectly classified to interest received on investments.

Other Income

Magazine subsidy and the festival of the light income was correctly allocated to other income, as it previously formed part of government grant and subsidies to the amount of R 14 465.

Other income to the amount of R 99 306 was allocated to the incorrect accounts in prior periods.

Interest received - investment

Interest received to the amount of R 192 176 was incorrectly recognised as general expenditure.

Interest on investments to the amount of R 767 620 were incorrectly recognised as general expenditure.

The interest on long term receivables to the amount of R103 898 were incorrectly classified to interest received on investments.

Government grants & subsidies

The error occurred due to a capital debtor being raised for a claim submitted to Eskom to the amount of R 4 178 070 for expenses incurred in the area of service in the preceding financial year.

Magazine subsidy and the festival of the light income was correctly allocated to other income, as it previously formed part of government grant and subsidies to the amount of R 14 465.

Fines, penalties and forfeits

Traffic fine corrections were made due to calculation errors to the amount of R 15 300 622.

Employee related costs

An accrual had to be raised for a severance package to the amount of R 179 999.

The expenditure relating to EPWP workers of R11 257 509 reclassified under employee related cost.

Remuneration of Councillors

The decrease is due to the overpayment of the chief whip salary of R290 755. A receivable was included under other receivables from non exchange transactions.

Contribution to/from provisions

58. Prior period errors (continued)

The contribution to the allowance for debt impairment in the statement of financial performance increased with R 14 253 488 due to a calculation error.

Grant in aid to the amount of R 315 065 previously classified incorrect, was correctly mapped.

Depreciation and amortisation

Depreciation was restated due to buildings carried on the revaluation model, not being depreciated previously. The data integrity and cleansing of the asset register along with the above resulted in additional depreciation of R 9 405 844.

Debt impairment

Council approved the write off of capital debtors of R 1 671 973. This amount was previously shown as a fair value adjustment in the statement of net assets.

The impairment of traffic fines and debt impairment on receivables from exchange had a calculation error in the prior period to the amount of R 11 008 241.

Repairs and maintenance

Invoices were accrued for in the correct financial period based on work done to the amount of R 1 185 940. Payables from exchange transactions were also increased with the R 1 185 940.

The expenditure relating to EPWP workers of R11 257 509 were reclassified under employee related cost.

Contracted services

Contracted services were restated to correct expenditure that should have been accounted for in the prior periods. This resulted in an error of R 352 635.

Agency services and security expenses amounting to R 21 430 499 were correctly classified to contracted services from general expenditure.

Grants and subsidies paid

The expenditure relating to the festival of the lights of R30 013 were classified to general expenditure, as it is not a grant or subsidy.

Grant in aid previously classified incorrectly, was correctly mapped. This resulted in a reclassification of R 315 065.

General expenditure was incorrectly recognised as grants and subsidies and corrected. The error amounted to R 671 012.

General expenses

General expenditure amounting to R 820 963 was restated to correct expenditure that should have been accounted for in the prior periods.

General expenditure amounting to R 21 430 499 was incorrectly classified in the prior period and adjusted to contracted services.

Interest received amounting to R192 176 was incorrectly recognised as general expenditure and recognised as interest on investments.

Interest on investments to the amount of R 767 620 were incorrectly recognised as general expenditure.

The expenditure relating to the festival of the lights of R30 013 were classified to general expenditure, as it is not a grant or subsidy.

58. Prior period errors (continued)

General expenditure was incorrectly recognised as grants and subsidies and corrected. The error amounted to R 671 012.

Incorrect mapping of the contribution to the allowance for debt impairment resulted in a reclassification of R 4 370 187.

General expenditure amounting to R 947 874 was previously incorrectly mapped.

Loss on disposal of assets

The loss on disposal of assets had a calculation error amounting to R 1 239.

59. Budget differences

Material differences between budget and actual amounts

All variances greater than 10% as depicted in the Statement of Comparison of Budget and Actual Amounts are explained below.

Statement of Financial Performance

Revenue

Service charge (BD 1)

The budget projection for water services was made based on previous performances and the revenue collected exceeded the projection (22% increase from prior year), which is beneficial to the municipality.

Interest earned - outstanding debtors (BD 2)

The budget was based on projected consumer debtors that was lower than the actual balance for the year.

Agency services (BD 3)

The budget projection for agency services was made based on previous performances and the revenue collected exceeded the projection, which is beneficial to the municipality.

Licences and permits (BD 4)

The budget projection for licences and permits was made based on previous performances and the revenue collected exceeded the projection, which is beneficial to the municipality.

Other revenue (BD 5)

This was caused mainly by the movement of R94 million in present value of the Defined Benefit Obligation (Post-retirement medical aid benefit). Actuarial gain of R55mil was recognised in the prior year and a loss of R38mil was recognized in the current year.

Interest earned - external investments (BD 6)

The budget projection for interest earned was made based on previous performances and the revenue collected exceeded the projection, which is beneficial to the municipality.

Property rates - penalties & collection charges (BD 7)

Receivables from property rates decreased by 10%, indicating that collection rate has improved, therefore no necessity to impose penalties and fines.

Transfers recognised - operational and capital (BD 8)

59. Budget differences (continued)

National and provincial allocations were received sooner than expected and the municipality invested the money as it was forecasted that it would only be spent at a later period in the financial year. The variance is due to delays in commencement of projects and incomplete projects.

Fines (BD 9)

The budget projection for Fines was based on previous performance.

Expenditure

Impairment loss / reversal of impairment (BD 10)

Management did not anticipate an impairment loss for the year under review.

Finance charges (BD 11)

Management re-assessed its financial position during the year and resolved not to undertake the borrowing as projected. The savings emanate from the finance costs attributed to the borrowing that would have been taken.

Contribution to / from provisions (BD 12)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subject to certain unpredictable assumptions ie. discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Debt impairment (BD 13)

Management projected the debt impairment based on historic data. However, the impairment was incorrectly accounted for which lead to a miscalculation in forecast. Refer to note 58.

Bulk purchases (BD 14)

Water and electricity purchases, which are bought by the municipality based on consumption of the community, have decreased compared to the prior year. The decrease is a direct result of the economic conditions, decline in consumption, negative impact of loadshedding and the utilization of alternative energy sources by consumers.

Contracted services (BD 15)

Management's projected contracted services are based on historic data. However expenses were reclassified as contracted services which led to a miscalculation in the forecast. Refer to note 58.

Transfer and subsidies (BD 16)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

Other expenses (BD 17)

Variances occurred due to EPWP costs that were reclassified as employee related expenses and savings on general expenditure line items, eg. telephone costs.

Statement of Financial Position

Assets

Inventory (BD 18)

59. Budget differences (continued)

The variance relates to Land Inventory that was previously classified as Land and Buildings under Property, plant and equipment.

Other debtors (BD 19)

This was due to correction of prior period errors and reclassifications in VAT receivable, consumer debtors and other debtors. Please refer to note 58 for details.

Consumer debtors (BD 20)

This was due to an unexpected 48% debt impairment in in the gross debtors relating to exchange transactions.

Cash and Cash equivalents (BD 21)

Towards the end of the financial year, the municipality had an excessive cash balance and, considering cash flows of the following year, a financially sound decision was taken by management to invest the cash in call account investments.

Property, plant and equipment (BD 22)

The line item property, plant and equipment includes both property, plant and equipment and heritage assets.

Intangible (BD 23)

The system/programmes for traffic management improvement and meter reading software were more than anticipated.

Long-term receivables (BD 24)

Farmer's water schemes and housing selling schemes were less than anticipated.

Liabilities

Other financial liabilities (BD 25)

Management re-assessed its financial position during the year and resolved not to undertake the borrowing as projected.

Trade and other payables (BD 26)

42% of the capital budget was spent in the last month of the financial year, which resulted in more accruals being raised at the end of the financial year.

Unspent conditional grants and receipts (BD 27)

Developers contribution were more than anticipated. It is also important to note that it is very difficult to determine the actual developments that will take place during a year.

Provisions (BD 28)

Provisions are based on experts' work as at the end of the financial year. The experts' work is based on legislation such as the National Environmental Management Waste Act (No. 59 of 2008).

Employee benefit obligation (BD 29)

The difference emanates from the post-retirement benefits and long service awards which is calculated based on information as at year end and subjective to certain unpredictable assumptions ie discount rate, expected rate of return, retirement age, etc. This information is not available when the budget is drafted.

Cash Flow Statement

59. Budget differences (continued)

Receipts

Grants-operation (BD 30)

Developers contribution were more than anticipated. It is also important to note that it is very difficult to determine the actual developments that will take place during a year.

Interest income (BD 31)

The budget projection for interest earned was made based on previous performances and the revenue collected exceeded the projection, which is beneficial to the municipality.

Payments

Suppliers and employee costs (BD 32)

Bulk Purchases decrease is due to a decline in consumption, negative impact of load shedding and the utilization of alternative energy sources by consumers.

Employee related cost decrease due to vacancies not filled and posts becoming vacant during the financial year.

Cash flows from financing activities

Finance costs and Other Liabilities (BD 33)

Management re-assessed its financial position during the year and resolved not to undertake the borrowing as projected.

Transfers and grants (BD 34)

Management anticipated to spend the allocated funds, but due to unforeseen circumstances it did not materialise as planned.

Changes from the approved budget to the final budget

The changes between the approved and final approved adjustments budget are a consequence of reallocations within the approved budget parameters allowed for by Section 6 of the Budget Implementation and Monitoring Policy as approved by Council.

60. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Stellenbosch Municipality
Financial Statements for the year ended 30 June 2015

Notes to the Annual Financial Statements

61. Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

Deviation no:	Date of Adjudication	Supplier	Directorate	Contract/Order Amount
D/SM:13/15	10/09/2014	Middelvlei Farm	Office of the Municipal Manager	R 7,942.00
D/SM:48/15	10/03/2015	Deloitte	Office of the Municipal Manager	R 54,720.00
Municipal Manager				**R 62,662.00**
D/SM:23/15	03/12/2014	Smith Tabata Buchanan Boyes Incorporated	Planning and economic development	R 661,200.00
D/SM:30/15	02/02/2015	VGV Mohohlo Attorneys	Planning and economic development	Rates
D/SM:49/15	30/03/2015	Hilda De Jager	Planning and economic development	R 2,600.00
D/SM:53/15	11/05/2015	Polorama and Stb cash and carry	Planning and economic development	R 3,936.21
D/SM:61/15	01/06/2015	J Jeffery	Planning and economic development	R 360,000.00
Planning and Development				**R 366,536.21**
D/SM:10/15	28/08/2014	Master Movers	Finance	R 46,825.50
D/SM:26/15	30/12/2014	Kayamandi Fire disaster	Finance	R 867,642.16
D/SM:28/15	11/12/2014	Kayamandi Fire disaster	Finance	R 650,422.45
D/SM:36/15	11/02/2015	Pay at services	Finance	Rates
D/SM:42/15	04/03/2015	Deeds office	Finance	Rates
D/SM:43/15	04/03/2015	Langrug Fire disaster 08 Feb 2015	Finance	R 800,490.10
D/SM:54/15	11/05/2015	Kreefgat Fire Disaster	Finance	R 65,000.00
D/SM:55/15	11/05/2015	Landfill Fire disaster various service providers	Finance	R 920,025.49
D/SM:63/15	11/06/2015	CAT Meter Reading system	Finance	R 102,258.00
Financial Services				**R 3,452,663.70**
D/SM:05/15	17/07/2014	Blue Vidas	Human Settlements and Property Management	R 14,000.00
D/SM:08/15	15/08/2014	AHB Construction	Human Settlements and Property Management	R 4,104.00
D/SM:16/15	06/11/2014	Groendal_Hope through action foundation	Human Settlements and Property Management	R 1,945,138.86
D/SM:29/15	29/01/2015	JR Wendy	Human Settlements and Property Management	R 11,900.00
D/SM:38/15	24/02/2015	Watergang housing projects	Human Settlements and Property Management	R 434,739.57
D/SM:57/15	18/05/2015	Ablution Facilities	Human Settlements and Property Management	R 1,106,256.00
D/SM:65/15	12/06/201	Hobby Wendys and Sanitech	Human Settlements and Property Management	R 86,621.80
D/SM:66/15	03/06/2015	Kirfane Investment Pty Ltd	Human Settlements and Property Management	R 6,521,270.36
D/SM:67/15	22/06/2015	BROLL ABSA	Human Settlements and Property Management	R 774,084.16
Human Settlements and Property Management				**R 10,898,114.75**
D/SM:04/15	29/07/2014	Dirk Scheerlinck	Community and Protection Services	R 4,000.00
D/SM:12/15	05/09/2014	Securelink International	Community and Protection Services	R 31,864.14
D/SM:19/15	19/11/2014	Gene Louw peace officer training	Community and Protection Services	R 97,566.30
D/SM:22/15	03/12/2014	Country Building Supplies	Community and Protection Services	R 127,588.80
D/SM:24/15	05/12/2014	SpecialWork of Art Artists performances	Community and Protection Services	R 79,673.00
D/SM:37/15	17/02/2015	Trees unlimited	Community and Protection Services	R 5,700.00
D/SM:64/15	12/06/2015	CEM Construction	Community and Protection Services	R 8,500.00
Community and Protection Services				**R 354,892.24**
D/SM:02/15	11/07/2014	Itron	Engineering Services	Rates
D/SM:03/15	11/07/2014	Inexma	Engineering Services	R 24,178.26
D/SM:06/15	04/08/2014	Black Arc Electrical	Engineering Services	R 18,468.00
D/SM:14/15	01/10/2014	Ian Dickie and co and Peninsula Pipeline Services	Engineering Services	R 94,360.90
D/SM:15/15	30/10/2014	WAM technology	Engineering Services	R 28,785.00
D/SM:17/15	06/11/2014	Black Arc Electrical	Engineering Services	R 20,509.74
D/SM:18/15	06/11/2014	Fiab	Engineering Services	R 6,056.82
D/SM:20/15	27/11/2014	Alco Enterprises	Engineering Services	R 3,180.85
D/SM:21/15	02/12/2014	LH Marthinusen	Engineering Services	R 1,675,110.30
D/SM:35/15	10/02/2015	CBI	Engineering Services	R 60,000.00
D/SM:39/15	26/02/2015	Schweitzer Engineering Labs	Engineering Services	R 3,884.27
D/SM:44/15	04/03/2015	Interwaste Pty Ltd Hire of JCB loader	Engineering Services	R 16,295.00

61. Deviations from, and ratification of minor breaches of procurement process

In accordance with paragraph 4.36 (a) of Supply Chain Management Policy the deviations from, and ratifications of minor breaches of procurement per directive are listed below:

Deviation no:	Date of Adjudication	Supplier	Directorate	Contract/Order Amount
D/SM:46/15	13/03/2015	KAYAMANDI Fire Disaster 17 Dec 2014 Electricity ADENCEO	Engineering Services	R 429,117.57
D/SM:47/15	23/03/2015	IMQS	Engineering Services	R 168,548.89
D/SM:56/15	11/05/2015	Endress and Hauser	Engineering Services	R 78,486.46
D/SM:59/15	26/05/2015	Vero Test	Engineering Services	R 22,499.21
Engineering Services				**R 2,649,481.27**
D/SM:01/15	03/07/2014	Deloitte-TASK Appeal process	Strategic and Corporate Services	R 1,045,266.00
D/SM:07/15	04/08/2014	Werner Zybrands	Strategic and Corporate Services	R 145,000.00
D/SM:09/15	28/08/2014	Datacentrix	Strategic and Corporate Services	R 11,115.00
D/SM:11/15	03/09/2014	Congress Rental	Strategic and Corporate Services	R 5,803.74
D/SM:25/15	08/12/2014	Cliffe Dekker Hofmeyr Inc	Strategic and Corporate Services	Rates
D/SM:27/15	30/12/2015	JH Retief Transport	Strategic and Corporate Services	R 68,350.00
D/SM:32/15	10/02/2015	Cliffe Dekker re The Speaker	Strategic and Corporate Services	Rates
D/SM:33/15	10/02/2015	Cliffe Dekker re Breach of code of conduct councillors	Strategic and Corporate Services	Rates
D/SM:34/15	16/02/2015	Webber Wentzel	Strategic and Corporate Services	Rates
D/SM:40/15	24/02/2015	Bytes universal systems	Strategic and Corporate Services	Rates
D/SM:45/15	05/03/2015	Cliffe Dekker	Strategic and Corporate Services	Rates
D/SM:50/15	01/04/2015	Bytes	Strategic and Corporate Services	Rates
D/SM:51/15	13/04/2015	Bradley Conradie	Strategic and Corporate Services	Rates
D/SM:52/15	20/04/2015	ESRI South Africa Pty Ltd	Strategic and Corporate Services	Rates
D/SM:58/15	26/05/2015	Dimensio Data	Strategic and Corporate Services	Rates
D/SM:60/15	28/05/2015	CT Lab	Strategic and Corporate Services	R 327,778.50
D/SM:62/15	03/06/2015	Franking Machine	Strategic and Corporate Services	R 50,346.55
D/SM:68/15	30/06/2015	ICT Vendors	Strategic and Corporate Services	Rates
D/SM:31/15	10/02/2015	Cliffe Dekker re A Stone	Strategic and Corporate Services	Rates
Strategic and Corporate Services				**R 1,653,659.79**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Property rates	254,479,573	-	254,479,573	-		254,479,573	252,368,993		(2,110,580)	99 %	99 %
Service charges	612,467,917	(5,000,000)	607,467,917	-		607,467,917	625,167,994		17,700,077	103 %	102 %
Investment revenue	24,856,018	6,200,000	31,056,018	-		31,056,018	40,186,078		9,130,060	129 %	162 %
Transfers recognised - operational	92,112,230	4,974,645	97,086,875	-		97,086,875	82,288,627		(14,798,248)	85 %	89 %
Other own revenue	73,082,103	48,433,835	121,515,938	-		121,515,938	118,595,716		(2,920,222)	98 %	162 %
Total revenue (excluding capital transfers and contributions)	**1,056,997,841**	**54,608,480**	**1,111,606,321**	**-**		**1,111,606,321**	**1,118,607,408**		**7,001,087**	**101 %**	**106 %**
Employee costs	(324,832,045)	-	(324,832,045)	-	(121,500)	(324,953,545)	(313,819,007)	-	11,134,538	97 %	97 %
Remuneration of councillors	(14,870,787)	(167,857)	(15,038,644)	-	-	(15,038,644)	(14,430,766)	-	607,878	96 %	97 %
Depreciation and asset impairment	(146,163,320)	-	(146,163,320)			(146,163,320)	(149,029,118)	-	(2,865,798)	102 %	102 %
Finance charges	(23,270,726)	5,600,000	(17,670,726)	-	-	(17,670,726)	(13,409,012)	-	4,261,714	76 %	58 %
Materials and bulk purchases	(294,007,940)	-	(294,007,940)	-	(1,755,414)	(295,763,354)	(287,344,031)	-	8,419,323	97 %	98 %
Transfers and grants	(6,778,550)	-	(6,778,550)	-	-	(6,778,550)	(5,555,047)	-	1,223,503	82 %	82 %
Other expenditure	(311,288,360)	(44,059,261)	(355,347,621)	-	1,876,914	(353,470,707)	(366,653,620)	-	(13,182,913)	104 %	118 %
Total expenditure	**(1,121,211,728)**	**(38,627,118)**	**(1,159,838,846)**	**-**	**-**	**(1,159,838,846)**	**(1,150,240,601)**	**-**	**9,598,245**	**99 %**	**103 %**
Surplus/(Deficit)	**(64,213,887)**	**15,981,362**	**(48,232,525)**	**-**		**(48,232,525)**	**(31,633,193)**		**16,599,332**	**66 %**	**49 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	73,993,987	(5,951,106)	68,042,881	-		68,042,881	57,301,571		(10,741,310)	84 %	77 %
Surplus (Deficit) after capital transfers and contributions	**9,780,100**	**10,030,256**	**19,810,356**	**-**		**19,810,356**	**25,668,378**		**5,858,022**	**130 %**	**262 %**
Surplus/(Deficit) for the year	**9,780,100**	**10,030,256**	**19,810,356**	**-**		**19,810,356**	**25,668,378**		**5,858,022**	**130 %**	**262 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	294,188,484	(43,157,706)	251,030,778	-		251,030,778	229,942,285		(21,088,493)	92 %	78 %
Sources of capital funds											
Transfers recognised - capital	73,993,987	(5,951,106)	68,042,881	-		68,042,881	57,301,571		(10,741,310)	84 %	77 %
Public contributions and donations	-	97,000	97,000	-		97,000	97,000		-	100 %	DIV/0 %
Borrowing	100,000,000	(38,000,000)	62,000,000	-		62,000,000	57,432,553		(4,567,447)	93 %	57 %
Internally generated funds	120,194,497	696,400	120,890,897	-		120,890,897	115,111,161		(5,779,736)	95 %	96 %
Total sources of capital funds	**294,188,484**	**(43,157,706)**	**251,030,778**	**-**		**251,030,778**	**229,942,285**		**(21,088,493)**	**92 %**	**78 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	162,766,366	(12,030,148)	150,736,218	-		150,736,218	292,925,066		142,188,848	194 %	180 %
Net cash from (used) investing	(294,188,484)	43,157,706	(251,030,778)	-		(251,030,778)	(227,420,465)		23,610,313	91 %	77 %
Net cash from (used) financing	93,025,455	(3,595,465)	89,429,990	-		89,429,990	38,997,413		(50,432,577)	44 %	42 %
Net increase/(decrease) in cash and cash equivalents	**(38,396,663)**	**27,532,093**	**(10,864,570)**	**-**		**(10,864,570)**	**104,502,014**		**115,366,584**	**(962)%**	**(272)%**
Cash and cash equivalents at the beginning of the year	492,149,679	11,024,940	503,174,619	-		503,174,619	504,928,066		1,753,447	100 %	103 %
Cash and cash equivalents at year end	**453,753,016**	**38,557,033**	**492,310,049**	**-**		**492,310,049**	**609,430,080**		**(117,120,031)**	**124 %**	**134 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2014				
Financial Performance				
Property rates				235,932,916
Service charges				603,670,308
Investment revenue				29,857,803
Transfers recognised - operational				92,688,383
Other own revenue				177,653,340
Total revenue (excluding capital transfers and contributions)				**1,139,802,750**
Employee costs	-	-	-	(282,932,604)
Remuneration of councillors	-	-	-	(13,526,539)
Debt impairment	-	-	-	(92,264,991)
Depreciation and asset impairment	-	-	-	(137,899,380)
Finance charges	-	-	-	(11,342,543)
Materials and bulk purchases	-	-	-	(269,097,417)
Transfers and grants	-	-	-	(4,787,630)
Other expenditure	-	-	-	(235,735,520)
Total expenditure	**-**	**-**	**-**	**(1,047,586,624)**
Surplus/(Deficit)				**92,216,126**
Transfers recognised - capital				60,928,779
Surplus (Deficit) after capital transfers and contributions				**153,144,905**
Surplus/(Deficit) for the year				**153,144,905**
Capital expenditure and funds sources				
Total capital expenditure				174,147,573

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				222,979,182
Net cash from (used) investing				(170,008,721)
Net cash from (used) financing				13,066,034
Net increase/(decrease) in cash and cash equivalents				**66,036,495**
Cash and cash equivalents at the beginning of the year				438,891,571
Cash and cash equivalents at year end				**504,928,066**